

BUSINESS MEETING  
BEFORE THE  
CALIFORNIA ENERGY RESOURCES CONSERVATION  
AND DEVELOPMENT COMMISSION

In the Matter of:                     )  
  )  
Business Meeting                     )  
  )  
\_\_\_\_\_                                  )

CALIFORNIA ENERGY COMMISSION  
HEARING ROOM A  
1516 NINTH STREET  
SACRAMENTO, CALIFORNIA

THURSDAY, NOVEMBER 20, 2008

10:00 A.M.

Reported by:  
John Cota  
Contract Number: 150-07-001

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

COMMISSIONERS PRESENT

Jackalyne Pfannenstiel, Chairperson

Jeffrey Byron

Karen Douglas

Arthur H. Rosenfeld

STAFF and CONTRACTORS PRESENT

Barbara Byron

William Chamberlain, Chief Counsel

Matt Coldwell

Chris Davis

Melissa Jones, Executive Director

Rod Jones

Harriet Kallemeyn, Secretariat

Suzanne Korosec

Helen Lam

Chris Marxen

Melanie Moultry

Bill Pennington

Sarah Pittiglio

Paul Roggensack

PUBLIC ADVISER

Elena Miller

ALSO PRESENT

Scott Galati, Galati|Blek

- Item 3: Representing Northern California Power Agency
- Item 9: Representing Pacific Gas and Electric Company
- Public Comment: Representing himself

Ed Warner, Northern California Power Agency

Jeff Chapman, California Living Energy and CalHERS

Michael P. Short, Southern California Edison

Manuel Alvarez, Southern California Edison

Kathy Treleven, Pacific Gas and Electric Company

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## P R O C E E D I N G S

10:07 a.m.

CHAIRPERSON PFANNENSTIEL: Good morning, this is a rare Thursday Business Meeting of the Energy Commission. Please join me in the Pledge of Allegiance.

(Whereupon the Pledge of Allegiance was recited in unison.)

CHAIRPERSON PFANNENSTIEL: We'll start with the Consent Calendar.

COMMISSIONER ROSENFELD: I move the Consent Calendar.

COMMISSIONER BYRON: Second.

CHAIRPERSON PFANNENSTIEL: All in favor?

(Ayes.)

CHAIRPERSON PFANNENSTIEL: The Consent Calendar is approved.

Item number 2, Starwood Power-Midway, possible approval of an amendment petition to increase stack height, allow construction of a new well for a backup water supply, reposition buildings in the site plan, and add a second evaporation pond to retain storm water. Good morning.

MR. DAVIS: Good morning. My name is

1 Chris Davis and I am the compliance project  
2 manager for Starwood. Starwood was approved on  
3 January 16 of this year, as most if not all of you  
4 remember, and began construction, basically  
5 grading, on September 23. Starwood is a 120  
6 megawatt peaking power plant under construction in  
7 western Fresno County on West Panoche Road about  
8 two miles off of I-5.

9 The petition was filed April 22 after a  
10 bit of a revelation to Starwood's owners that I'll  
11 go into in just a minute and the staff assessment  
12 of the petition was published on October 17. The  
13 petition requests several modifications to the  
14 project, the first of which is the stack height  
15 increase. And the stack height that we approved  
16 in January met federal regulations.

17 They improved the design, which improved  
18 dispersion and basically lowered air quality  
19 impacts. As a result of approving that design, in  
20 order to continue meeting the federal regulation  
21 that has a ratio of stack height to diameter, they  
22 increased the height. Overall, again, it is an  
23 air quality benefit.

24 The well is probably the most important,  
25 well it is the most important item to Starwood's

1 owners and also the one in which staff invested  
2 the most time and is suggesting changes to  
3 conditions of certification. The well would serve  
4 as a backup water supply for the Starwood project.

5 A little background. Starwood owns  
6 CalPeak. They were planning to get water from the  
7 CalPeak Panoche Plant next door, run a pipe over  
8 there, and supply water to both projects. They  
9 found out that PG&E owns the water rights to that  
10 water and would have to go to the Public Utilities  
11 Commission for approval. Rather than go that  
12 route Starwood elected to come to us with a  
13 petition to drill a well for the backup water  
14 supply.

15 A little bit about the primary supply.  
16 It is a recycling, it comes from a recycling  
17 system that Starwood paid for the farmer next door  
18 to build and it is a much cleaner water supply.

19 The backup well would be drilled into a  
20 pretty brackish aquifer that has a very high total  
21 dissolved solid count. As a result staff was  
22 concerned that when and if Starwood has to switch  
23 to the backup supply from the cleaner, primary  
24 supply that they would not be discharging this  
25 much more brackish water into an unlined

1        evaporation pond, which the Water Board is  
2        allowing Starwood to do because of the clean,  
3        primary water supply.

4                The other changes are all design  
5        changes. Things like increasing room between the  
6        turbines to improve access, splitting the ponds  
7        into two, one of which will hold storm water, and  
8        reducing from two to one the number of aqueous  
9        ammonia tanks.

10               No comments have been received. The  
11        petition meets all the filing criteria of Section  
12        1769(a) of the siting regulations concerning post-  
13        certification project modifications. And no, I  
14        don't think I could say that ten times fast.  
15        Again, no comments received.

16               The changes will be beneficial to the  
17        public and PG&E. They will allow Starwood to stay  
18        on schedule to begin producing power for the grid  
19        in California for the summer of next year. Staff  
20        has analyzed the petition, recommends several  
21        changes to conditions of certification, and with  
22        those changes recommends approval.

23               CHAIRPERSON PFANNENSTIEL: Thank you.  
24        When I went through this material I was just  
25        completely confused about why between January 16



1 and whatever the April date is when they filed  
2 suddenly they had this revelation of these changes  
3 that were needed. One of the reasons that we  
4 would entertain changes is if there has been, and  
5 I am quoting, a substantial change in  
6 circumstances. I just haven't found why that  
7 happened.

8 It is as if they have been working on  
9 all of these changes throughout the time that we  
10 were processing their license application. But we  
11 gave them the license based on whatever point in  
12 time that was and then they come in with many --  
13 they appear all to be beneficial so I am not  
14 questioning whether it makes sense to do them. I  
15 am just really confused about the process.

16 MR. DAVIS: And a big question is how  
17 they could have come to the point where they have  
18 gotten certification and not found out that PG&E  
19 owns the rights to that.

20 CHAIRPERSON PFANNENSTIEL: Precisely.  
21 How we could have certified them without having  
22 that information in front of us, that there were  
23 better designs and more beneficial to the public  
24 designs of stacks and why that happened at that  
25 time.

1           MR. DAVIS: Apparently this process of  
2           changing designs is a thing that happens on every  
3           power plant. Power plants are design/build  
4           projects and as they move along the designs are  
5           constantly changing. The stack height, the design  
6           improvement will do away with any potential for  
7           gas pockets to form, therefore improve the design.

8           As staff said to me, some projects do a  
9           very detailed design and come to the meeting and  
10          build that project almost exactly as approved.  
11          Many others get a design and then when they get to  
12          the final design stages, which they are in now  
13          building the project, they do make changes as they  
14          move along. I was at a ground-breaking for a  
15          project yesterday and somebody mentioned that same  
16          thing, that it is just something that happens with  
17          power plants.

18          CHAIRPERSON PFANNENSTIEL: Any further  
19          questions?

20          COMMISSIONER BYRON: Madame Chair, I  
21          think it is a very good question. We brought it  
22          up in a similar line in the Siting Committee  
23          meeting as well. I don't recall if it was this  
24          project or another that prompted me to realize  
25          that we are seeing these kinds of changes from the

1 time of permitting to the time when maybe we can  
2 start the construction process. We agreed that it  
3 will be something we would track more carefully  
4 because obviously the compliance, the more plants  
5 we license the more compliance there will be. But  
6 this one raises the concern in my mind.

7 I should say this, as a civil engineer  
8 myself I realize when you get to the as-built  
9 state it is going to be different than the  
10 original design and we accommodate that. And  
11 that's what I think this would be characterized  
12 as. But it could also be used to circumvent or  
13 get through this licensing permitting process  
14 quickly and then bring some changes in later on  
15 that you don't want to have to deal with during  
16 that process.

17 CHAIRPERSON PFANNENSTIEL: Well  
18 precisely, and since one of our rules says that  
19 there needs to be a substantial change in  
20 circumstances since our certification justifying  
21 this change. In this case I looked in vain for  
22 that change in circumstances and I still don't  
23 hear it. It sounds like the developer found  
24 better ways of doing things that didn't come up  
25 during our certification process.

1           COMMISSIONER BYRON: Right. We looked  
2           at those changes and we were comfortable with them  
3           in the Siting Committee. I think it is fair to  
4           ask if the applicant is here or if they are on the  
5           phone that they might be able to answer some of  
6           these questions.

7           MR. DAVIS: They are not represented  
8           here today.

9           CHAIRPERSON PFANNENSTIEL: Are there  
10          further questions? Does somebody want to move  
11          approval of this change?

12          COMMISSIONER BYRON: I would move the  
13          item.

14          COMMISSIONER ROSENFELD: I second, I  
15          second it.

16          CHAIRPERSON PFANNENSTIEL: But before we  
17          go on. But the Siting Committee is going to track  
18          this kind of activity more carefully to see if  
19          this is a pattern.

20          COMMISSIONER BYRON: Correct.

21          CHAIRPERSON PFANNENSTIEL: With that  
22          assurance, all in favor?

23          (Ayes.)

24          CHAIRPERSON PFANNENSTIEL: Thank you.

25          MR. DAVIS: It is also something that we

1 in the compliance office are sharing with  
2 projects. That you are a lot better off, you will  
3 get it built a lot more quickly if you stick with  
4 the approved design and don't come back in with  
5 amendments because we are so busy now with siting  
6 cases that --

7 CHAIRPERSON PFANNENSTIEL: That is  
8 precisely my point, yes. Thank you.

9 COMMISSIONER BYRON: Thank you.

10 CHAIRPERSON PFANNENSTIEL: Item 3a,  
11 possible approval of the Executive Director's data  
12 adequacy recommendation for Northern California  
13 Power Agency's Application for Certification of  
14 the Lodi Energy Center. Good morning.

15 MR. JONES: Good morning, Madame Chair  
16 and Energy Commissioners. My name is Rod Jones  
17 and I am the project manager for the Lodi Energy  
18 Center. I would like to take the time to  
19 introduce Melanie Moultry, she is CEC staff  
20 counsel for the project, and Scott Galati, who is  
21 with NCPA, counsel, and Ed Warner who is project  
22 manager with NCPA as well.

23 CHAIRPERSON PFANNENSTIEL: Good morning  
24 all.

25 MR. GALATI: Good morning.

1 MR. WARNER: Good morning.

2 MS. MOULTRY: Good morning.

3 MR. JONES: On September 10, 2008

4 Northern California Power Agency filed an  
5 Application for Certification seeking approval  
6 from the Energy Commission to construct and  
7 operate the proposed Lodi Energy Center project.  
8 The Lodi Energy Center is a proposed natural gas-  
9 fired, combined-cycle nominal 255-megawatt power  
10 generation facility proposed on approximately 4.4  
11 cres of land owned and incorporated by the City of  
12 Lodi. The site is six miles west of the City of  
13 Lodi city center, located near Interstate 5,  
14 approximately 1.7 miles south of State Route 12.

15 On October 22, 2008 the Energy  
16 Commission determined that the Lodi Energy Center  
17 project did not meet all the requirements listed  
18 in Title 20, Section 1704, and Division 2, Chapter  
19 4, Appendix B of the California Code of  
20 Regulations for the 12 month process.  
21 Specifically, the AFC was deficient in eight of  
22 the 23 technical areas: Air Quality, Biological  
23 Resources, Cultural Resources, Socioeconomics,  
24 Transmission System Design, Soils, Visual  
25 Resources and Water Resources.

1           On October 24, 2008 NCPA filed an AFC  
2     Data Adequacy Supplement for review. Staff has  
3     reviewed all eight of the previously deficient  
4     technical disciplines and believes the project is  
5     data adequate with the filing of the AFC  
6     Supplement.

7           Staff's evaluation of the Supplement to  
8     the AFC was submitted to the Executive Director,  
9     whose recommendation is before you. The Executive  
10    Director is recommending that the Commission  
11    accept the Lodi Energy Center project AFC with the  
12    supplemental information as complete and appoint a  
13    siting committee to preside over the data  
14    discovery and analysis phase of the project during  
15    the licensing process.

16           CHAIRPERSON PFANNENSTIEL: Thank you.

17           MR. JONES: And with that, are there any  
18    questions?

19           CHAIRPERSON PFANNENSTIEL: Are there any  
20    questions from the Commissioners?

21           COMMISSIONER BYRON: None.

22           CHAIRPERSON PFANNENSTIEL: Any comments  
23    from the applicant?

24           MR. GALATI: Scott Galati on behalf of  
25    NCPA. I want to thank the staff very much for

1 giving us very clear direction on our data  
2 adequacy deficiencies. I think the team is  
3 supported very well by Andrea Grenier, who you  
4 know, and CH2MHILL. I think they responded very,  
5 very quickly and clearly, which enabled us to get  
6 here at this Business Meeting.

7 We look forward to that continued  
8 collaboration and information exchange and  
9 hopefully look forward to seeing us at a site  
10 visit/informational hearing so you can see the  
11 project, see the project site, see where it goes  
12 and see how it fits because it fits very well.

13 MR. WARNER: Ed Warner with NCPA. I  
14 would just like to thank the Commission. And also  
15 I look forward to working with you over the  
16 process of this project. I would also like to  
17 help you understand that NCPA is a public agency.  
18 We represent members of the municipalities and  
19 government agencies in Northern California. We  
20 look forward to working with you on this project.

21 CHAIRPERSON PFANNENSTIEL: Thank you  
22 very much. With that is there a motion to approve  
23 the Executive Director's data adequacy  
24 recommendation?

25 COMMISSIONER BYRON: I move the item.



1 COMMISSIONER DOUGLAS: Second.

2 CHAIRPERSON PFANNENSTIEL: In favor?

3 (Ayes.)

4 CHAIRPERSON PFANNENSTIEL: It's  
5 approved.

6 MR. JONES: Thank you.

7 CHAIRPERSON PFANNENSTIEL: Appointment  
8 of a siting committee. I would recommend a  
9 committee of Commissioners Douglas and Byron with  
10 Commissioner Douglas presiding. Is there a motion  
11 for that committee?

12 COMMISSIONER ROSENFELD: I move it.

13 CHAIRPERSON PFANNENSTIEL: And I'll  
14 second that. All in favor?

15 (Ayes.)

16 CHAIRPERSON PFANNENSTIEL: The committee  
17 has been appointed, thank you.

18 MR. GALATI: Thank you.

19 MR. JONES: Thank you.

20 Item 4, possible approval of Contract  
21 500-08-021 for \$274,067 with the California  
22 Department of Conservation to extend previous West  
23 Coast Regional Carbon Sequestration work on the  
24 potential for geologic sequestration in  
25 California's underground sedimentary basins. Good

1 morning.

2 MR. COLDWELL: Good morning,  
3 Commissioners. My name is Matt Coldwell and I am  
4 with the PIER program. I am filling in today for  
5 Linda Spiegel. Excuse me, I have a cold if I  
6 sound a little stuffed up.

7 Before you is an 18 month interagency  
8 agreement with the California Department of  
9 Conservation in the amount of \$274,067. This work  
10 will be done, will build upon previous PIER-funded  
11 work done by the Department of Conservation's  
12 California Geological Survey. The earlier work  
13 characterized saline aquifers throughout the state  
14 to determine the potential for geologic carbon  
15 sequestration.

16 The proposed project will further the  
17 characterization of the potential for geologic  
18 sequestration by evaluating California's offshore  
19 sedimentary basins as well as to do a more  
20 detailed study of the depth of the saline waters  
21 and the sequestration capacity of gas fields in  
22 the southern Sacramento basin.

23 This project is part of the West Coast  
24 Regional Carbon Sequestration Partnership also  
25 known as WESTCARB. It supports the 2005 IEPR goal

1 for California to take a leading role in  
2 developing technologies that capture and store CO2  
3 by performing a preliminary geologic  
4 characterization of the potential for CO2  
5 sequestration in California's offshore subsurface  
6 environments and refining previous estimates for  
7 saline aquifers and gas fields.

8 The results of this project will also  
9 help California reduce its greenhouse gas  
10 emissions per the mandates set in AB 32. Thank  
11 you. And at this time I'd be happy to answer any  
12 questions.

13 CHAIRPERSON PFANNENSTIEL: Are there  
14 questions?

15 COMMISSIONER BYRON: We have seen other  
16 contracts come through on WESTCARB. I think it is  
17 always worth reiterating the importance of this  
18 work. It is basic research with regard to carbon  
19 capture sequestration. We had a workshop  
20 yesterday that primarily dealt with greenhouse  
21 gases and what we are going to do with them.

22 Pending the development of other  
23 technologies I think this is going to eventually  
24 be extremely important. Having said all that, and  
25 so I am very much in favor of it, is there -- are

1       there more projects associated with WESTCARB that  
2       we will see coming, be seeing coming before this  
3       Commission for approval?

4               MR. COLDWELL:   Yes.   This project is  
5       part of the Phase II WESTCARB.   WESTCARB is a  
6       three phase project.   Phase I has already been  
7       completed and this is part of Phase II.   Right now  
8       we are at the beginning of getting contracts ready  
9       for the Phase III work, which will ultimately be  
10      the construction of a power plant that has the  
11      capability of sequestering I think about a million  
12      tons of CO2.

13              COMMISSIONER BYRON:   So will there be  
14      any more Phase II contracts for approval?

15              MR. COLDWELL:   The next Business Meeting  
16      actually there's a no cost/time extension on the  
17      Consent Calendar for MR45, which is a work  
18      authorization with the California Institute for  
19      Energy Environment to continue their work that  
20      they are doing right now.

21              COMMISSIONER BYRON:   Okay, thank you,  
22      Mr. Coldwell.

23              MR. COLDWELL:   Thank you.

24              CHAIRPERSON PFANNENSTIEL:   I have one  
25      sort of minor question.   Just at the end of your

1 presentation you said that this project would help  
2 reduce California's greenhouse gas emissions. How  
3 does that happen since we don't burn coal in this  
4 state?

5 MR. COLDWELL: Well, I guess the more  
6 accurate statement would have been -- excuse me.  
7 Yes. If we had an opportunity to sequester that  
8 carbon from a power plant then it would help. I  
9 realize that we don't burn coal in the state.

10 CHAIRPERSON PFANNENSTIEL: Okay.

11 COMMISSIONER BYRON: But we do burn a  
12 lot of natural gas.

13 CHAIRPERSON PFANNENSTIEL: We certainly  
14 do but I didn't know that this had any focus on  
15 natural gas. I thought this was entirely on coal,  
16 is it not?

17 MR. COLDWELL: Yes, from my  
18 understanding, yes.

19 MS. JONES: Yes, just to clarify. The  
20 Westcarb III project is for natural gas-fired  
21 power plants.

22 CHAIRPERSON PFANNENSTIEL: But this one  
23 so far has been for coal.

24 MS. JONES: Yes.

25 CHAIRPERSON PFANNENSTIEL: Thanks. That

1 was my question.

2 MR. COLDWELL: Thank you. Sorry for the  
3 confusion.

4 MR. CHAMBERLAIN: I think there are  
5 really two points. One is that, of course, much  
6 of our -- This is part of a broader research and  
7 development --

8 CHAIRPERSON PFANNENSTIEL: I understand.

9 MR. CHAMBERLAIN: And much of our power  
10 does come from coal and so some of that could be  
11 sequestered in the future. And of course  
12 yesterday we were talking about, people were  
13 saying, well, you know, when you build a natural  
14 gas-fired power plant you are making a 40 year  
15 commitment to carbon emissions. Well not  
16 necessarily if this technology comes along.

17 CHAIRPERSON PFANNENSTIEL: Right, thank  
18 you. It was the natural gas/coal question that  
19 was of interest to me. Thank you very much.

20 MR. COLDWELL: Yes, sorry for the  
21 confusion.

22 CHAIRPERSON PFANNENSTIEL: Any other  
23 questions?

24 COMMISSIONER ROSENFELD: I move the  
25 item.

1 COMMISSIONER DOUGLAS: Second.

2 CHAIRPERSON PFANNENSTIEL: All in favor?

3 (Ayes.)

4 CHAIRPERSON PFANNENSTIEL: It's  
5 approved, thank you.

6 MR. COLDWELL: Thank you very much.

7 CHAIRPERSON PFANNENSTIEL: Item number  
8 5, possible approval of contract 500-08-008 for  
9 \$300,000 with Southern California Edison for Self-  
10 Audit of Wastewater Treatment Processes to Achieve  
11 Energy Optimization, Phase 1. Good morning.

12 MR. ROGGENSACK: Good morning,  
13 Commissioners. My name is Paul Roggensack; I am  
14 with the PIER Industrial, Agricultural and Water  
15 Program. Southern California Edison is requesting  
16 \$300,000 to develop a self-audit software, phase  
17 1, for wastewater treatment facilities.

18 This software will be able to do three  
19 things. First it will provide wastewater  
20 facilities a tool to benchmark and track their  
21 energy consumption. And second, it will be able  
22 to develop energy efficiency measures for the  
23 wastewater treatment facility to apply for  
24 Southern California Edison's rebate program for  
25 energy efficiency. And finally, it will be able

1 to evaluate the cost-effectiveness to qualify for  
2 that rebate program with Southern California  
3 Edison.

4 The software will be developed by  
5 Edison, first of all collecting a database on all  
6 the available treatment processes for wastewater  
7 facilities. From that it will develop or use  
8 existing models for those processes and then  
9 combine these processes tailor-made for an  
10 individual facility. And this overall software  
11 would be able to show how a change in one  
12 treatment process will affect another process  
13 within that facility.

14 And this software will be able to have  
15 calibrating tools that have benchmark or  
16 troubleshooting tools to be able to make the model  
17 match the actual facility energy consumption.

18 So this software will then also be able  
19 to, will have protocols to improve the energy  
20 efficiency of an individual process and also do  
21 life cycle analysis of that process.

22 Initially this tool will just be used as  
23 Southern California Edison's property but Edison  
24 plans to make it available throughout the state.  
25 So if the tool is successful they are estimating



1 perhaps 50 percent market penetration and perhaps  
2 a 15 percent reduction of wastewater treatment  
3 facilities. That would equate to roughly 150  
4 million kilowatt hours in the state.

5 So this is the first phase, which will  
6 cover everything from the inlet through secondary  
7 treatment. The second phase, when PIER has money  
8 available, will fund from secondary treatment on,  
9 which will include disinfection and sludge  
10 processing. So I'd be happy to answer any  
11 questions you have regarding this.

12 CHAIRPERSON PFANNENSTIEL: Thank you.  
13 Will Edison actually develop the model themselves,  
14 the tool, Edison employees? Or are they going to  
15 contract it out?

16 MR. ROGGENSACK: They would contract  
17 that out.

18 CHAIRPERSON PFANNENSTIEL: So it made  
19 sense for us to give this to Edison to contract  
20 out rather than us directly contracting with  
21 whomever is going to develop the model?

22 MR. ROGGENSACK: It would be Edison's  
23 software because they are doing the rebate  
24 program. They are the organizer and the overseer  
25 of the overall project.

1                   CHAIRPERSON PFANNENSTIEL: Thank you.

2                   Are there questions?

3                   COMMISSIONER BYRON: Yes. I think it's  
4                   along the lines of your's, Madame Chairman. You  
5                   know, when I think of software development,  
6                   wastewater treatment plants, and then what I would  
7                   characterize as the commercialization of that  
8                   software, making it available and useful to other  
9                   wastewater treatment plants throughout the state.  
10                  A utility doesn't jump to mind as being the first  
11                  choice to do that sort of work. And this was  
12                  sole-sourced, as I understand.

13                  MR. ROGGENSACK: That's right.

14                  COMMISSIONER BYRON: So I would like to  
15                  ask the fundamental question, why were they  
16                  chosen?

17                  MR. ROGGENSACK: Well they were chosen,  
18                  first of all, because they have done, we have done  
19                  work with them on wastewater treatment facilities  
20                  before so they have the infrastructure and the  
21                  institutional knowledge of doing wastewater  
22                  treatment. And plus they are pretty aggressive  
23                  with this rebate program. That is really the  
24                  driver for this is to have a tool that they can  
25                  use to evaluate energy efficiency measures for

1       their rebate program.

2               COMMISSIONER BYRON:  So why wasn't it  
3       put out for a solicitation?

4               MR. ROGGENSACK:  Well, they were the  
5       ones who came up with the project.  They had the  
6       -- You know, they were the ones that developed the  
7       concept.  They had the staffing and the  
8       institutional knowledge to do it.

9               COMMISSIONER BYRON:  Okay.

10              MS. JONES:  And I would just like to add  
11       to that.  This project has been in the pipeline  
12       for some time.  But we have instituted new  
13       policies for PIER and they are doing many more  
14       competitive solicitations.  So we are hoping to  
15       reduce somewhat the amount of sole-sources that we  
16       do.  So this was one that was already in the  
17       pipeline.

18              COMMISSIONER BYRON:  And when you say  
19       for a long time, Ms. Jones.  Do you know, prior to  
20       our being quizzed by the Utilities and Commerce  
21       Committee?

22              MS. JONES:  Prior to February of this  
23       year in planning?

24              MR. ROGGENSACK:  Yes it was.  It's been  
25       proposed earlier this year.

1           COMMISSIONER BYRON: I know you are well  
2   aware of the sensitivity around these issues. It  
3   is extremely important, I think, when this  
4   Commission does sole-source that it be well-  
5   justified for the Legislature in the use of public  
6   funds.

7           MS. JONES: And one of the things that I  
8   do do before it gets on a Business Meeting, I have  
9   pushed up the process so that sole-source  
10   justifications are provided to me at the time that  
11   it is put on a Business Meeting agenda so that I  
12   can see the adequacy of the sole-source  
13   justification. So we have a pretty good system  
14   for doing that right now.

15          CHAIRPERSON PFANNENSTIEL: And this one  
16   included?

17          MS. JONES: Yes.

18          CHAIRPERSON PFANNENSTIEL: Thank you.

19          COMMISSIONER BYRON: Well good. Then  
20   let's just put Southern California Edison on  
21   notice that they should do a good job on this  
22   contract.

23          MR. ROGGENSACK: Absolutely.

24          CHAIRPERSON PFANNENSTIEL: Is there a  
25   motion?

1 COMMISSIONER BYRON: I move the item.

2 COMMISSIONER ROSENFELD: I move the  
3 item. I second it.

4 COMMISSIONER BYRON: Commissioner, go  
5 right ahead.

6 CHAIRPERSON PFANNENSTIEL: All in favor?  
7 (Ayes.)

8 CHAIRPERSON PFANNENSTIEL: Thank you  
9 very much.

10 Item 6, possible approval of Contract  
11 500-08-019 for \$505,000 with the US Department of  
12 Energy, Lawrence Berkeley National Laboratory to  
13 measure greenhouse gases in the atmosphere at two  
14 towers, in San Francisco and just south of  
15 Sacramento, to assess the accuracy of existing  
16 emissions estimates. Good morning.

17 MS. PITTIGLIO: Good morning,  
18 Commissioners. My name is Sarah Pittiglio; I am  
19 with the Public Interest Energy Research program.  
20 Today I am here for Guido Franco because he is not  
21 able to attend this meeting.

22 Current inventories of greenhouse gases  
23 are highly uncertain, especially for non-CO2 gases  
24 like methane and nitrous oxide. So in order to  
25 resolve this issue a previous contract with LBNL

1 was established and they started two greenhouse  
2 gas measurement sites at a tower in San Francisco,  
3 Sutro Tower, and a tower in Walnut Grove.

4 The existing project, which ends in  
5 March of next year, is going extremely well. It  
6 is showing that it is very likely that the  
7 existing measurements will be able to track  
8 emissions in Northern California. This project  
9 started building a baseline of emissions that will  
10 help make it possible to track compliance with AB  
11 32 in the future. The project has also received a  
12 lot of positive press including a news review in  
13 Nature, which indicated that the project was the  
14 first of its kind to attract emissions at a state  
15 level.

16 In order to demonstrate compliance with  
17 AB 32's targets for greenhouse gas reductions we  
18 need to establish a baseline but we also need to  
19 start a continuous monitoring program of  
20 greenhouse gases. And more greenhouse gas  
21 measurements are also necessary to improve the  
22 accuracy of existing inventories.

23 The proposed project will continue  
24 measurements being taken for two years and enhance  
25 these measurements by adding an additional tower

1 in Marin and also by making more frequent  
2 measurements of nitrous oxide.

3 The researchers will also test an  
4 atmospheric transport model to estimate the path  
5 of greenhouse gases to the towers from a single  
6 point source like a dairy, for example, using  
7 meteorological data.

8 The National Oceanic Atmospheric  
9 Administration and the Air Resources Board are  
10 also fully engaged in this project as well. If  
11 you have any questions I'll be happy to answer  
12 them.

13 CHAIRPERSON PFANNENSTIEL: Thank you.  
14 It seems like a really fundamental project. I am  
15 sort of surprised that it is the first in the  
16 nation. It sort of shocked me to see that, I  
17 thought everybody was doing this. You mentioned  
18 that other agencies are working with us. Are they  
19 putting in money or is this all our money?

20 MS. PITTIGLIO: Yes, money and  
21 equipment.

22 CHAIRPERSON PFANNENSTIEL: Can you tell  
23 me how the breakdown -- the \$500,000 s from PIER.  
24 Do you know how much the others are contributing?

25 MS. PITTIGLIO: I do not have that

1 information, unfortunately.

2 CHAIRPERSON PFANNENSTIEL: Okay.

3 MS. PITTIGLIO: I know that our previous  
4 contract, the one that we are going to end in  
5 March was for \$660,000.

6 CHAIRPERSON PFANNENSTIEL: Do we have --  
7 Well, are there other questions?

8 MS. JONES: We will provide the  
9 additional detail for you.

10 CHAIRPERSON PFANNENSTIEL: Yes, thank  
11 you.

12 COMMISSIONER ROSENFELD: I just want to  
13 make a very positive comment too. I remember back  
14 in the old days when we had great calculations  
15 about how catalytic converters were going to clean  
16 up the Los Angeles Basin and so on. And then when  
17 we did real ground truth we discovered there were  
18 a lot of clunkers out there putting out a lot of  
19 gases we didn't know about. So nothing like  
20 ground truthing. I hope this unearths some  
21 scandals.

22 CHAIRPERSON PFANNENSTIEL: Now Art.

23 COMMISSIONER ROSENFELD: I'm happy to  
24 move the item.

25 COMMISSIONER BYRON: Second.



1 CHAIRPERSON PFANNENSTIEL: All in favor?

2 (Ayes.)

3 CHAIRPERSON PFANNENSTIEL: Thank you  
4 very much.

5 Item 7 has been moved to the December 3,  
6 I'm sorry, I should have said that at the  
7 beginning, the December 3 Business Meeting.

8 Item 8. This is an informational item  
9 taking no action today regarding proposed adoption  
10 of regulations regarding home energy ratings. The  
11 regulations will not be adopted today; rather,  
12 revised language, 15 day language, will be  
13 released for review and comment by the public  
14 immediately following this hearing. Good morning,  
15 Ms. Lam.

16 MS. LAM: Good morning, Commissioners.  
17 My name is Helen Lam; I am with the Buildings and  
18 Appliances Office. This is an Efficiency  
19 Committee information item and I am here to answer  
20 any administrative or procedural questions that  
21 you may have.

22 CHAIRPERSON PFANNENSTIEL: Thank you.  
23 Now I think that just for the benefit of the other  
24 Commissioners, this is an item that will be taken  
25 up at our meeting subsequent to 15 days from now.

1 MS. LAM: Correct.

2 CHAIRPERSON PFANNENSTIEL: But this is a  
3 notice period. And I don't see, I don't have any  
4 blue cards. I'm sorry, I do have a blue card.  
5 Somebody wanted to speak on this, very good. Jeff  
6 Chapman for California Living Energy.

7 MR. CHAPMAN: Thank you very much,  
8 Commissioners and staff and ladies and gentlemen.  
9 To introduce, I am Jeff Chapman with California  
10 Living Energy. And today I am also speaking for  
11 the nonprofit group, CalHERS.

12 Since the late 1970s the California  
13 Energy Commission has accomplished more in saving  
14 the state of California energy than any other  
15 state agency in this country. I will not bore you  
16 with the data of how our carbon footprint has been  
17 reduced, although we want to reduce it more. How  
18 energy has been saved, the benefits of homeowners  
19 in saving energy and also commercial buildings  
20 saving energy. And also the fact that you have  
21 accomplished your goals.

22 In this process you have stuck to a very  
23 strict policy. You have had a plan that's worked  
24 and you have become the envy of every state in  
25 this nation in terms of energy use and the way

1 energy is managed. And you also have become the  
2 envy of even other countries.

3 My comments today are in the nature of  
4 an inquiry, which is far different from anything  
5 else. So I am simply asking a question. And the  
6 question will focus on one of the ways you have  
7 made sure energy has been saved and builders have  
8 done an excellent job. And that is your  
9 implementation of the third-party system. We know  
10 that system has worked. We also know that you  
11 have listened to many challenges from groups,  
12 special interest groups, from lots of different  
13 sources of input and even from lawyers.

14 You know from your experience that this  
15 independent verification process of implementing  
16 Title 24 calculations vis-...-vis HERS requirements  
17 has indeed been very successful. The independent  
18 verification promotes integrity and minimizes  
19 vested interest groups from doing the kinds of  
20 things they would like to do for their interests.  
21 As most of you are aware the Energy Commission is  
22 now investigating a nationwide corporation for  
23 possible violation of this conflict of interest in  
24 third-party testing.

25 What I would like to inquire about, and

1 simply inquire, is in the language of HERS II in  
2 Section 8.2 there is an option now for indeed  
3 performance contractors to do the work at an  
4 existing residence. To provide either work and/or  
5 additions like windows. Maybe not total work but  
6 windows and other things. And also to be  
7 certified to be their own rater, to do their own  
8 rating. That would seem to fly in the face of  
9 what you have done for so many years to accomplish  
10 in keeping rating a third-party, separate issue.

11 And I guess from my experience in doing  
12 depositions and also from the outside looking into  
13 the legal system, they are always looking for one  
14 thing and it is called precedent. Precedent. And  
15 when they find precedent they come after that  
16 weakness and challenge the system to try to win  
17 their client's case. Not usually based on truth  
18 but on precedent.

19 And from the way the economics are, it  
20 would be much wiser for my clients to take that  
21 precedent of saying, well Energy Commissioners,  
22 you have already allowed the performance  
23 contractors to do their own rating and to certify.  
24 Now I want -- As a nationwide builder I want you  
25 to allow my employees to be trained as HERS raters

1 and they can do the rating for my company. That's  
2 a possibility. Not a threat, a possibility.

3 As an Employee of California Living  
4 Energy we have enjoyed this relationship for  
5 years. I guess we have been through three just  
6 since 2000. I have enjoyed meeting staff members  
7 and the interactions and the acceptance and the  
8 kindness.

9 And as a member of CalHERS I would like  
10 to suggest to you that you uphold the third party  
11 standard and not allow the performance based  
12 contractors to be rated and to do their own  
13 inspections in keeping tune with what you have  
14 always upheld. I thank you so much for your time  
15 and for your interest and getting input from you.  
16 Thank you.

17 CHAIRPERSON PFANNENSTIEL: Thank you,  
18 Mr. Chapman, we appreciate your comments.  
19 Mr. Pennington, did you have a comment? Did you  
20 move up to the --

21 MR. PENNINGTON: I was only here in case  
22 you wanted some response from staff or a reaction.

23 CHAIRPERSON PFANNENSTIEL: Would you  
24 like to make a response?

25 MR. PENNINGTON: Sure. What we have

1       done in these regulations is try to establish a  
2       range of delivery approaches that we can use to  
3       achieve home energy ratings and energy efficiency  
4       improvements in homes. And we have tried to  
5       incorporate the range of delivery mechanisms that  
6       exist in the marketplace now and to allow those to  
7       continue to be used and allow those to expand in  
8       the future.

9               There are two very distinct models for  
10       delivering energy assessments and improvements  
11       that exist in the marketplace today. There's a  
12       model that has an independent third-party that  
13       does the assessment and the recommendations are  
14       passed on and it is open to the homeowner to try  
15       to deliver those if they wish.

16              A second model is an emerging model that  
17       has what is termed a billing performance  
18       contractor who is involved not only in the  
19       assessment but also in the delivery and  
20       implementation of the improvements.

21              Both of those models have their  
22       advantages and disadvantages. The model related  
23       to the building performance contractors delivering  
24       the work and doing the assessments is that there  
25       is a potential conflict of interest where the

1       assessment could cause the improvement  
2       recommendations to be the work that the contractor  
3       is prepared to deliver and disregard other  
4       improvement possibilities.

5               We have been concerned about conflicts  
6       of interest in the past and we have addressed  
7       those and required a separation between the  
8       evaluator of work and the installer of work. We  
9       have done that in the building standards and  
10      that's what Jeff is referring to.

11             In this case we think that the model of  
12      using the building performance contractor has very  
13      strong advantages. We are actually getting work  
14      done and actually accomplishing real things and  
15      motivating the homeowner to act. And that is a  
16      weakness with the model of just making  
17      recommendations and kind of leaving it up to the  
18      homeowner to act.

19             But we recognize that there are  
20      potential conflicts that can arise out of that.  
21      So as a result we have specifically identified  
22      building performance contractors as one possible  
23      delivery mechanism that would be a program that  
24      would be especially approved by the Energy  
25      Commission and that we would expect extra quality

1 assurance to be done on that work.

2 We would expect that the  
3 comprehensiveness of the evaluation would be  
4 assessed through quality assurance. We would  
5 expect that there would be a disclosure of the  
6 contractor that they are in the situation where  
7 they are both the assessment provider and the  
8 installer. And so we have tried to cover for the  
9 potential conflicts that can arise out of that  
10 situation and tried to address them.

11 CHAIRPERSON PFANNENSTIEL: Thank you,  
12 Bill. This will be back in front of us in a  
13 couple of Business Meetings. I guess December 17,  
14 as I see it.

15 MR. PENNINGTON: Correct.

16 CHAIRPERSON PFANNENSTIEL: And we will  
17 go back through it at that time. But thank you  
18 for your comments.

19 MR. PENNINGTON: Sure.

20 CHAIRPERSON PFANNENSTIEL: Moving then  
21 on to Item 9, possible adoption of the Electricity  
22 and Natural Gas Committee's report, An Assessment  
23 of California's Nuclear Power Plants: AB 1632  
24 Committee Report. Assembly Bill 1632 directs the  
25 Energy Commission to adopt this assessment in



1 November 2008 and include it in the 2008

2 Integrated Energy Policy Report Update.

3 Ms. Byron.

4 MS. BYRON: Good morning, Chairman  
5 Pfannenstiel and Commissioners. I am Barbara  
6 Byron, Project Manager for the AB 1632 Assessment.

7 This morning we offer for adoption the  
8 report entitled An Assessment of California's  
9 Nuclear Power Plants: AB 1632 Committee Report.  
10 This report was prepared in response to  
11 Assemblyman Sam Blakeslee's Assembly Bill 1632.  
12 It provides findings and recommendations to policy  
13 makers and stakeholders regarding Diablo Canyon  
14 and San Onofre.

15 I'd like to give you just a brief  
16 overview of the Committee Report beginning with  
17 some background on AB 1632 and the report process  
18 that we followed and then just summarize some of  
19 the key findings -- report recommendations.

20 Just a quick review. AB 1632 requires  
21 assessments of the potential impacts of a major  
22 disruption of large baseload plants. And under  
23 the definition of the bill, which is 1700  
24 megawatts or larger baseload plants, Diablo Canyon  
25 and SONGS are the only plants that meet these

1 criteria.

2 The bill requires assessments of the  
3 vulnerability of these plants to a major seismic  
4 event or plant aging.

5 It requires that these assessments be  
6 adopted with the 2008 IEPR.

7 And that subsequent updates in future  
8 IEPRs are required as new data on potential  
9 seismic hazards emerge.

10 In addition the bill requires an  
11 assessment of potential impacts of a disruption on  
12 reliability, public safety and the economy.

13 An assessment of the costs/impacts of  
14 nuclear waste accumulation and other major policy  
15 issues related to these plants.

16 The report process that we followed:  
17 Almost two years ago we began this process through  
18 a competitive bid process in which we selected a  
19 contractor which led a multi-disciplinary team;  
20 and the contractor was MRW and Associates.

21 We had an extensive public process that  
22 included three public workshops and written  
23 comments by stakeholders on draft reports.

24 And another key characteristic of this  
25 study was they wanted it to be independent. We

1 provided detailed data requests to the plant  
2 owners but the study team did not meet with plant  
3 owners or interested parties.

4 We also established a Seismic  
5 Vulnerability Advisory Team that provided periodic  
6 review of the seismic assessment.

7 And now just a brief summary of some of  
8 the key recommendations. With respect to seismic  
9 vulnerability the report recommends that Southern  
10 Cal Edison should develop an active seismic  
11 hazards research program for San Onofre similar to  
12 PG&E's long-term seismic program.

13 The report also recommends that the  
14 utilities should use three-dimensional seismic  
15 reflection mapping and other advanced techniques  
16 at both plant sites and report on their progress  
17 and updated seismic assessment in the IEPR 2009.

18 Additional recommendations related to  
19 seismic vulnerability include that in upcoming  
20 IEPRs PG&E and Edison should provide updates on  
21 their seismic research efforts including tsunami  
22 hazard assessments; provide assessment of the  
23 degree to which non-safety-related plant  
24 components comply with current seismic standards;  
25 and provide assessments of the seismic

1 vulnerability implications of evolving seismic  
2 standards since these plants designed and built.

3 And then finally, we are asking for them  
4 to provide an evaluation of the implications for  
5 California's plants of the 2007 Kashiwazaki-Kariwa  
6 earthquake in Japan. And that is the earthquake  
7 that the largest nuclear power plant in the world,  
8 which is over 8,000 megawatts, remains shut down  
9 over a year later.

10 With respect to plant aging: The Energy  
11 Commission should continue to closely monitor NRC  
12 actions and reviews of Diablo Canyon's and SONGS'  
13 performance.

14 And the Energy Commission should monitor  
15 safety culture lapses at SONGS and required  
16 Southern Cal Edison to report on progress in  
17 developing and maintaining a strong safety  
18 culture.

19 With respect to the impacts of a major  
20 disruption for one of these plants: We noted that  
21 CAISO studies on aging power plants and once-  
22 through cooling should be completed as soon as  
23 possible to determine whether further studies on  
24 unplanned outages are needed.

25 The Energy Commission, the Public

1 Utilities Commission and CAISO should further  
2 evaluate uncertainties of extended outages at  
3 Diablo Canyon and San Onofre and identify needed  
4 replacement resources.

5 With respect to nuclear waste  
6 accumulation: Nuclear waste accumulation at these  
7 plant sites has been a long-term concern. San  
8 Onofre and Diablo Canyon will run out of spent  
9 fuel storage capacity just before the plant's  
10 current licenses expire and a low-level waste  
11 disposal facility is not available to accept low-  
12 level waste from San Onofre and Diablo Canyon  
13 except for Class A waste which is the lowest  
14 radioactivity class.

15 Our report recommends that during the  
16 Public Utilities' decommissioning proceedings the  
17 utilities should provide estimates of disposal  
18 costs and the amounts of low-level waste and spent  
19 fuel to be generated and disposed through plant  
20 decommissioning and through a possible 20 year  
21 license extension.

22 And finally with respect to license  
23 renewal. We included a recommendation related to  
24 license renewal. We noted that Diablo Canyon and  
25 San Onofre have operated for about half of their

1       40 year operating licenses. Their licenses will  
2       expire in the mid-2020s. Both plant owners are  
3       exploring the feasibility of seeking 20 year  
4       license extensions.

5               And we are recommending that the Energy  
6       Commission, with the Public Utilities Commission,  
7       should develop a plan for reviewing the overall  
8       costs and benefits of nuclear plant license  
9       extensions, the scope of the evaluation and  
10      criteria for the assessment.

11             Included in this review should be plant  
12      safety culture and maintenance; waste storage,  
13      transport and disposal plans; seismic hazards;  
14      comparison with generation and transmission  
15      alternatives; and contingency plans for long-term  
16      outages.

17             We note in the report that the State has  
18      the authority to set electricity generation  
19      priorities based on economic, reliability and  
20      environmental concerns. The Public Utilities  
21      Commission has the authority to fund and oversee  
22      the utilities' plant relicensing feasibility  
23      studies in California.

24             The Public Utilities commission  
25      establishes a framework for considering the cost-

1 effectiveness of license renewal. As such the  
2 CPUC required in PG&E's 2007 general rate case  
3 that PG&E incorporate the Energy Commission's AB  
4 1632 assessment findings and recommendations in  
5 PG&E's license renewal feasibility study, which is  
6 due in 2011.

7 And that concludes my presentation.

8 CHAIRPERSON PFANNENSTIEL: Thank you,  
9 Ms. Byron. Certainly a very useful and  
10 comprehensive report, you are to be commended. In  
11 working with your consultants I think you have  
12 done really an excellent job of answering Assembly  
13 Member Blakeslee's questions.

14 The only question I had in going through  
15 it was what role did the NRC play in putting this  
16 report together? Clearly they have the ultimate  
17 safety responsibility and how did they interact  
18 with you and your team?

19 MS. BYRON: At the very beginning of  
20 this study Commissioner Byron -- excuse me,  
21 Commissioner Boyd, who is the State Liaison  
22 Officer to the Nuclear Regulatory Commission,  
23 wrote the NRC a letter and informed them of this  
24 study and requested their cooperation to identify  
25 some key people that would be able to review parts

1 of the report and provide some assistance.

2 And they replied by sending us the names  
3 of people who were involved with license renewal,  
4 waste disposal and there's one other. Anyway,  
5 they were very helpful. As we had questions we  
6 were able to contact their staff and run things  
7 past them.

8 They didn't provide formal comments on  
9 the report but we did informally hear from them  
10 that they basically concurred with the report and  
11 thought it was a good general, easily read  
12 presentation of the federal role versus state  
13 role.

14 CHAIRPERSON PFANNENSTIEL: So there was  
15 nothing in the report that you heard from them  
16 that they challenged or thought was outside of the  
17 state authority?

18 MS. BYRON: No.

19 CHAIRPERSON PFANNENSTIEL: Thank you.  
20 Are there other questions? I have some people who  
21 might want to speak to this. Would you like to  
22 hear from them first before commenting?

23 COMMISSIONER BYRON: Sure.

24 CHAIRPERSON PFANNENSTIEL: From Southern  
25 California Edison, Michael Short, VP of Nuclear



1       Engineering and Technical Services.

2               MR. SHORT: Good morning, Commissioners.  
3       Thank you for the opportunity to speak.

4               SCE, Southern California Edison, concurs  
5       with most of the report's recommendations and we  
6       are currently working on the ways and means to  
7       fulfill them. We want to recognize that some of  
8       these may require additional resources than those  
9       that we currently have available to us so we will  
10      speak to that in the future once that information  
11      becomes available.

12              I do want to comment on one aspect of  
13      the report. I didn't see it in Ms. Byron's  
14      presentation but the report does speak to the  
15      current arrangement of spent fuel in the spent  
16      fuel pools at San Onofre. And we wanted to point  
17      out our belief that rearranging that fuel provides  
18      no significant improvement in margins to plant  
19      safety. So that particular recommendation we  
20      would argue is not cost-effective.

21              COMMISSIONER ROSENFELD: Excuse me. Can  
22      you talk a little closer to the mic.

23              MR. SHORT: How is that? Is that  
24      better?

25              COMMISSIONER ROSENFELD: Yes.

1           MR. SHORT: Lastly, yesterday we did  
2           provide some clarifying information on the ability  
3           to store spent fuel at San Onofre in our dry cask  
4           program in the interest of providing a full and  
5           complete record.

6           That is the extent of my comments. Once  
7           again thank you for the opportunity to speak and  
8           we look forward to working with you in the future.

9           CHAIRPERSON PFANNENSTIEL: We thank you  
10          for your comments and appreciate it.

11          Does PG&E have any comments? I see --  
12          Yes. Mr. Galati for PG&E.

13          MR. GALATI: Hello, Scott Galati  
14          representing PG&E. Thank you.

15          First and foremost we think that this  
16          process was very collaborative. We also think  
17          it's some very difficult, tough issues. I think  
18          your staff and the consultant team that you picked  
19          are to be commended. I know that we absolutely  
20          drowned them with information.

21          And when the Draft Consultant Report  
22          came out and the Committee Report it was clear  
23          that that information was sifted through and both  
24          the consultant team and the staff actually spent a  
25          lot of time so we really appreciate that. They

1       also were responsive and engaged with us during  
2       our public workshops and we think that that is  
3       sort of a model on how processes should continue  
4       at the Energy Commission.

5               We look forward to participating with  
6       you on any updates to this as well as other  
7       proceedings. I wanted to give you an update. The  
8       reason I filled out a blue card is I understood  
9       that we might be asking for updates so I  
10      appreciate you calling us up.

11             As you know we are participating with  
12      USGS in an ongoing monitoring program. We have a  
13      long-term geologic program. During the workshops  
14      Dr. Cluff and Dr. Abrahamson came in and had quite  
15      a bit of contact with the Committee and had a good  
16      exchange about the program that we are doing.

17             As part of that ongoing program with  
18      PG&E, which we are doing in conjunction with the  
19      US Geological Service, a pattern of seismic  
20      activity was found that suggests a potential  
21      offshore fault near Diablo Canyon of which we were  
22      previously unaware. It is the purpose of these  
23      studies and this seismic activity was found.

24             Our initial evaluation shows that this  
25      potential fault will not exceed our existing

1 seismic design. Therefore the result of any  
2 potential ground motions would be minor, have  
3 limited impact on Diablo Canyon.

4 Now it will take up to a year for us to  
5 verify that this in fact is a seismic fault. But  
6 even if that is confirmed, we wanted to let you  
7 know that the data right now currently available  
8 suggests that it is smaller than the Hosgri Fault,  
9 it is shorter in length than the Hosgri Fault, and  
10 any activity will be lower than the Hosgri Fault,  
11 and therefore it is within the design basis of the  
12 plant.

13 And I want to let you know something  
14 else too. That we had discussions with Assembly  
15 Member Blakeslee to inform him of this  
16 information. And during those conversations he  
17 pointed out that comments that we had written on  
18 the Draft Committee Report had some strong  
19 language about seismic uncertainty. I wanted to  
20 let you know that as much as it pains me to say  
21 the fault is mine in this particular instance. We  
22 were rushing at the end to put our comments  
23 together --

24 COMMISSIONER BYRON: Which fault would  
25 that be, Mr. Galati?

1 (Laughter)

2 MR. GALATI: Why does it pain me?

3 COMMISSIONER BYRON: No, which fault  
4 would that be that you are taking responsibility  
5 for?

6 MR. GALATI: It's not a newly discovered  
7 fault. It is the fault that is apparent and  
8 standing before you with a tie on many occasions.

9 (Laughter)

10 MR. GALATI: We put together our  
11 comments, we sent it out for review. Dr. Cluff  
12 and Dr. Abrahamson commented that I had used some  
13 strong words. I used some strong words about the  
14 report dealt with the seismic uncertainty of the  
15 Hosgri Fault. We believe that the seismic  
16 uncertainty -- that there isn't any seismic  
17 uncertainty about the Hosgri Fault. The way I  
18 wrote that is I talked about seismic hazard and  
19 seismic setting. And obviously you can never know  
20 all of the uncertainties about the seismic  
21 setting, that's why we continue to monitor, that's  
22 why we continue to study.

23 I wanted to make sure that I corrected  
24 that orally to you. We talked to staff about it  
25 and we will be following it up in writing to make

1       sure you understand that we are not suggesting  
2       that everything there is to know about the seismic  
3       setting in that part of the world is known now,  
4       therefore no need to continue to work. Which I  
5       think we have established a very long record of  
6       continuing to work to understand the setting. So  
7       I apologize for that mistake and we will be  
8       correcting that on the record.

9               CHAIRPERSON PFANNENSTIEL: Thank you,  
10       Mr. Galati. Are there questions?

11              Thank you so much for your time.

12              Other questions of Ms. Byron or  
13       discussion of the report? Yes, Commissioner  
14       Byron.

15              COMMISSIONER BYRON: Well I have some  
16       material to go through, I hope you'll be patient  
17       with me. I think you may all know that Ms. Byron  
18       and I are not related. However, the nuclear  
19       responsibilities today seem to fall to the Byrons.

20              Commissioner Boyd I'm sure wanted to be  
21       here today. Unfortunately he is not able to. But  
22       I did talk to him yesterday. He is on the other  
23       side of the International Time Zone so I guess it  
24       was his tomorrow, which would be today. Anyhow, I  
25       took advantage of the opportunity and asked him

1       how tomorrow looked and he said it looked good.

2       So I just want you all to know that today will be  
3       a good day.

4               CHAIRPERSON PFANNENSTIEL: Did you buy  
5       stocks today?

6               (Laughter)

7               COMMISSIONER BYRON: Commissioner Boyd  
8       is indeed the State's nuclear officer. I may have  
9       said that incorrectly but he carries that water  
10      here at the Commission. I am the Presiding Member  
11      of the Electricity and Natural Gas Committee and  
12      also, of course, the Presiding Member on the IEPR.  
13      So we oversaw the AB 1632 Report as part of the  
14      Electricity and Natural Gas Committee. I have a  
15      few observations and comments I would like to  
16      make.

17              First I would like to draw to the  
18      Commissioners' attention the adoption order, which  
19      is a rather lengthy one, and my perspective on  
20      some of the key findings.

21              As Ms. Byron indicated, AB 1632 was  
22      written by Assembly Member Blakeslee. It is an  
23      extremely important bill which directs the  
24      Commission to assess the vulnerability of  
25      California's large baseload plants.

1                   These two units -- I'm sorry. These two  
2                   plants, Diablo Canyon and San Onofre, represent  
3                   about four gigawatts. As Commissioner Rosenfeld  
4                   always refers to that as four gigs. To the  
5                   vulnerability to a major disruption from an  
6                   earthquake, plant aging, and/or I would  
7                   characterize another possibility, a licensing  
8                   event that could happen elsewhere in the country  
9                   or the world that could affect these plants.

10                  As Ms. Byron indicated, in July of '07  
11                  there was a major earthquake at the Kashiwazaki-  
12                  Kariwa Power Plant. Which I believe is five units  
13                  that, as she indicated, is about a little over  
14                  eight gigawatts of power. This is the largest  
15                  single site power plant in the world, I believe  
16                  not just nuclear, and it has not been operating  
17                  since then.

18                  There has been a lot of scrambling in  
19                  Japan to make replacement power for those missing  
20                  units and it would be a similar issue here. So  
21                  the reliability and the potential vulnerability to  
22                  a major disruption is extremely important to this  
23                  Commission and to the State.

24                  Now we also know that PG&E and Southern  
25                  California Edison are exploring the feasibility of



1 seeking an additional 20 year license extension  
2 for these plants. This would extend their  
3 licenses into the 2040s. The role of the State in  
4 the license renewal decision relates to the  
5 State's electrical generation priorities based  
6 upon economic, reliability and environmental  
7 concerns.

8 So the Public Utilities Commission has  
9 established a framework for considering the cost-  
10 effectiveness of the Diablo Canyon license  
11 renewal. The PUC has approved PG&E's request for  
12 funding for their license renewal feasibility  
13 study and has required PG&E to defer its work on  
14 its own feasibility study and associated spending  
15 until after this commission issues the AB 1632  
16 findings and conclusions. Further, the PUC  
17 required PG&E to incorporate the findings and  
18 recommendations of the Energy Commission's AB 1632  
19 study in PG&E's own study.

20 Therefore I have as my expectation, and  
21 I think it should be the Energy Commission's  
22 expectation, that the studies recommended in the  
23 AB 1632 Committee Report for you today includes  
24 that seismic studies will be included in PG&E and  
25 Southern California Edison's license renewal

1 feasibility studies. And will be reported to the  
2 PUC as part of their license renewal feasibility  
3 study.

4 So as part of the upcoming IEPR  
5 assessment beginning with the '09 IEPR PG&E and  
6 Southern California Edison should report to the  
7 Energy Commission on the status and results of  
8 their seismic vulnerability research assessment  
9 and license renewal feasibility studies.  
10 Particularly in light of the disclosure that  
11 Mr. Galati just made to us here a few moments ago.

12 I have had recent conversations myself  
13 with Assembly Member Blakeslee, and as I  
14 indicated, I talked with Commissioner Boyd. In  
15 light of those conversations and the disclosure  
16 Mr. Galati has made today, the AB 1632  
17 requirements -- I'm sorry, I got myself wrapped up  
18 there. In light of these disclosures and those  
19 conversations the Commission -- forgive me. Yes.  
20 We offer a number of changes that we would like to  
21 make to the report. They are not terribly  
22 significant. They are mostly the deletion of  
23 some, what I would characterize as conditional  
24 clauses.

25 I call to your attention on page six the

1 second bullet. There is a recommendation. In  
2 line one we recommend insert -- I would like to  
3 insert, quote: "recommends that" after Energy  
4 Commission. So it would read, Energy Commission  
5 recommends that.

6 And we would delete, "in cooperation  
7 with other appropriate state agencies and in  
8 coordination with PG&E, should evaluate the degree  
9 to which using." I would like to insert the word  
10 use before, quote:

11 "three-dimensional geophysical  
12 seismic reflection mapping and  
13 other advanced techniques to  
14 explore fault zones near the Diablo  
15 Canyon site. PG&E should report on  
16 their progress and their most  
17 recent seismic vulnerability  
18 assessment for Diablo Canyon in the  
19 2009 IEPR."

20 End quote. And that would be inserted after  
21 advanced techniques.

22 Also a change on line four. I will read  
23 this entire thing so it makes sense. On line four  
24 delete, quote: "should be pursued, if warranted,  
25 by a cost-benefit analysis."

1           So although it sounds like a substantial  
2       change, really the substantive aspect of it is the  
3       deletion of the conditional clause, "should be  
4       pursued, if warranted, by a cost-benefit  
5       analysis." So the recommendation now should read,  
6       quote:

7                       "The Energy Commission  
8                       recommends that PG&E should use  
9                       three-dimensional geophysical  
10                      seismic reflection mapping and  
11                      other advanced techniques to  
12                      explore fault zones near Diablo  
13                      Canyon. PG&E should report on  
14                      their progress and their most  
15                      recent seismic vulnerability  
16                      assessment for Diablo Canyon in the  
17                      2009 IEPR."

18       Similarly we will make a change on page nine, the  
19       second bullet. And this is a similar change with  
20       regard to Southern California Edison. I think  
21       what I will do in the interest of time is just  
22       read to you what the resulting text would now  
23       read.

24                      CHAIRPERSON PFANNENSTIEL: And excuse  
25       me, Commissioner Byron.

1 COMMISSIONER BYRON: Yes.

2 CHAIRPERSON PFANNENSTIEL: I just want  
3 to make sure. These changes are all available,  
4 are they not?

5 COMMISSIONER BYRON: That's a good  
6 question. Are these available?

7 CHAIRPERSON PFANNENSTIEL: Not yet?

8 MS. BYRON: They are not but I can make  
9 copies and put them out for everybody.

10 CHAIRPERSON PFANNENSTIEL: Yes, they  
11 should be in writing for everybody to see.

12 COMMISSIONER BYRON: Well, for  
13 completeness then, the other recommendation would  
14 be of the same nature applying to Southern  
15 California Edison on page nine. Lines ones  
16 through four would now read, quote:

17 "The Energy Commission  
18 recommends that Southern California  
19 Edison should use three-dimensional  
20 seismic reflection mapping, other  
21 techniques and a permanent GPS  
22 array for resolving seismic  
23 uncertainties for SONGS. SCE  
24 should report on their progress and  
25 their most recent seismic

1 vulnerability assessment for SONGS

2 in the 2009 IEPR."

3 As I said, there is a long adoption order. I  
4 would just bring to your attention the requirement  
5 in that adoption order that as new seismic data  
6 becomes available both PG&E and Southern  
7 California Edison would expedite their geophysical  
8 studies and report back to this Commission.

9 Commissioner Boyd and I have also agreed  
10 to take this up in the '09 IEPR, which in fact if  
11 I recall from the Assembly Member's legislation,  
12 SB 1632, it also requires periodic updates as new  
13 data or new understanding of potential seismic  
14 hazards emerge.

15 So I apologize for the length of all  
16 these changes. A lot of this information just  
17 came to light recently. I applaud PG&E for coming  
18 forward and disclosing the discovery of some  
19 additional potential seismic hazard data. But I  
20 think these changes are warranted. And if there  
21 is no other public comment I would like to make a  
22 couple of other notes. Maybe it would be a good  
23 opportunity to open it up for public comment  
24 again.

25 CHAIRPERSON PFANNENSTIEL: Is there

1 further public comment based on the changes  
2 Commissioner Byron just read into the record?

3 Seeing none, go ahead.

4 COMMISSIONER BYRON: Well, I note as  
5 well that Mr. Short indeed corrected, I should say  
6 clarified a letter correction to our report dated  
7 November 17. My take from that letter was that it  
8 primarily identified as well that Southern  
9 California does have sufficient space for spent  
10 fuel storage. And we note that here today.

11 Let's see. I think that's really -- I  
12 apologize that I am reading a lot of this, I  
13 wanted to get it correct. But that concludes my  
14 remarks, Madame Chairman. I think it was a  
15 substantial effort on the part of many.  
16 Participation in a number of workshops.

17 And certainly I would like to commend  
18 Barbara Byron, I think she has done an excellent  
19 job. I hope you are not thinking of retiring any  
20 time soon, Ms. Byron. I've heard some rumors.

21 MS. BYRON: Well, we shall see.

22 COMMISSIONER BYRON: And it is not very  
23 many people at the Energy Commission that have a  
24 continuing relationship with Assembly Members such  
25 as Assembly Member Blakeslee.

1           I think it is also worth noting the  
2   state, particularly San Luis Obispo County, is  
3   very fortunate to have him. He is obviously  
4   extremely engaged and knowledgeable on this  
5   subject. But more importantly, he is engaged on  
6   the issue of public safety so I think we all  
7   benefit as a result of that. In addition to  
8   writing the legislation I think he has really made  
9   sure that this report is up to the highest  
10  standards.

11           CHAIRPERSON PFANNENSTIEL: As it appears  
12  to be.

13           COMMISSIONER BYRON: So I would like to  
14  move the item with those changes. And also thank  
15  my fellow Commissioner Boyd who has also been very  
16  engaged in this issue.

17           CHAIRPERSON PFANNENSTIEL: So you have  
18  moved the adoption of the record.

19           COMMISSIONER ROSENFELD: Second.

20           CHAIRPERSON PFANNENSTIEL: It has been  
21  moved and seconded. All in favor?

22           (Ayes.)

23           CHAIRPERSON PFANNENSTIEL: Thank you.  
24  Thank you, Barbara.

25           CHAIRPERSON PFANNENSTIEL: Then moving



1 to Item 10, possible adoption of the 2008  
2 Integrated Energy Policy Report Update.  
3 Ms. Korosec.

4 MS. KOROSEC: Good morning, Chairman  
5 Pfannenstiel, Commissioners. I am Suzanne  
6 Korosec. I am the lead for the Integrated Energy  
7 Policy Report.

8 As you know the Energy Commission is  
9 required by Senate Bill 1389 to prepare this  
10 Integrated Energy Policy Report every two years in  
11 odd numbered years with an update prepared in the  
12 off years.

13 Today I am asking for your consideration  
14 and approval of the IEPR Committee Final 2008 IEPR  
15 Update. I will provide a brief description of the  
16 various topics and recommendations in the report  
17 followed by an opportunity for questions from the  
18 dais and then turn it back to the Chairman to take  
19 public comment.

20 I do want to note that we have errata  
21 for Chapters 1, 2 and 5 of the report. Several of  
22 those have been posted one has not that just came  
23 in just before ten o'clock today. However, copies  
24 of all of those are out on the table in the foyer  
25 and the final errata list will be posted for

1 parties to see them all in one place.

2 I would also like to acknowledge all the  
3 hard work from the staff that went into this. We  
4 could not have done this report without all of  
5 their good input.

6 I want to thank all the stakeholders who  
7 sat through many workshops. I think we had 13  
8 workshops by the end of the process.

9 I want to thank our sister agency, the  
10 California Public Utilities Commission for  
11 collaborating with us on this report and providing  
12 feedback, often on a very short turnaround time.  
13 We do appreciate that.

14 And I want to thank the IEPR Committee  
15 for all of your good direction and for your  
16 patience as we hammered this report together.

17 The 2008 IEPR contains six chapters that  
18 covers the topics that are listed here. The first  
19 topic was selected by the Committee because they  
20 felt that it is important, given the potential  
21 contribution of renewables to meeting the State's  
22 greenhouse gas reduction goals, to understand how  
23 the electricity system will need to be structured  
24 to support these higher levels of renewables while  
25 still maintaining system reliability and

1 stability.

2 The topics for Chapter 2 and 3, the  
3 energy efficiency and the Energy Commission's  
4 demand forecast and electricity procurement issues  
5 were both identified in the 2007 IEPR as needing  
6 further exploration in the 2008 Update.

7 And the topics for Chapters 4 and 5 are  
8 assessments of the State's nuclear plants, which  
9 we just heard about, and the PUC's Self-Generation  
10 Incentive Program. Both of these were required by  
11 statute to be included in the 2008 Update.

12 Finally for Chapter 6, because this  
13 report is an update we wanted to provide a  
14 progress report on key recommendations that were  
15 made in the 2005, 2006 and 2007 IEPRs.

16 So for Chapter 1, this describes some of  
17 the concerns with moving to a higher level of  
18 renewables that were raised by parties in various  
19 workshops that we held on this topic. The first  
20 barrier that is discussed in the report is  
21 transmission, particularly the lack of access to  
22 renewable resource areas in the state and  
23 environmental land use and public opposition  
24 issues associated with building new transmission.

25 The report also talks about legal and

1 regulatory barriers to joint transmission projects  
2 between investor- and publicly-owned utilities.  
3 These projects may be necessary to reach certain  
4 areas of the state that have renewable resource  
5 areas to help us meet our RPS goals.

6 The second barrier that was identified  
7 is the difficulty in integrating large amounts of  
8 renewables into the system, particularly  
9 intermittent renewables like wind, while  
10 maintaining system reliability. This is going to  
11 require some form of backup, either fossil plants  
12 or energy storage or additional renewables to  
13 maintain system stability. And we also need to  
14 understand the amount of ramping and regulation  
15 that will be needed to maintain the operational  
16 stability with the increased levels of renewables.

17 The third barrier is the effect on  
18 meeting our 33 percent goal of contract delays or  
19 cancellations and the associated concerns about  
20 the lack of transparency about how renewable  
21 procurement decisions are being made.

22 The fourth barrier is the uncertainty  
23 and concern about what effect that higher levels  
24 of renewables may have on electricity prices and  
25 electricity rates.

1           And finally, there are environmental  
2       issues that are associated with building large-  
3       scale renewables, particularly in sensitive areas  
4       of Southern California.

5           The IEPR Committee made a number of  
6       recommendations to address these barriers. I  
7       won't go over all of them, I'll just highlight a  
8       few of them that I think are the most important.  
9       First, the Energy Commission should identify ways  
10      to reduce the legal and market obstacles to joint  
11      transmission projects.

12           Second, because transmission is such an  
13      important issue the Committee believes that we  
14      really should increase the amount of funding that  
15      is devoted to transmission-related research and  
16      development up to a level of \$60 million per year.  
17      That's about a ten-fold increase from what we  
18      currently have right now.

19           The Committee also recommends that we  
20      should use the 2009 IEPR to identify the amount  
21      and location of new fossil generation that will be  
22      needed to support renewables. And that we work  
23      with the California Independent System Operator to  
24      better understand the amount of ramping and  
25      regulation that is going to be needed with these

1 higher levels of renewables.

2           Regarding renewable procurement. The  
3 Committee recommends that if a utility plans to  
4 build or purchase its own generating facilities,  
5 renewable procurement proposals should be  
6 reviewed, selected and ranked by independent  
7 parties, not by the investor-owned utilities.

8           In addition, the Committee recommends  
9 that the PUC should immediately implement standard  
10 contract prices or feed-in tariffs for facilities  
11 smaller than 20 megawatts to provide financial  
12 certainty for developers and to help these  
13 facilities get built and on-line quickly to ensure  
14 that we meet our renewable targets.

15           The Committee also recommends that we  
16 should work with parties and the PUC to better  
17 understand the potential cost impacts of a higher  
18 target of renewables.

19           And finally, we need to continue our  
20 collaborative efforts within the Renewable Energy  
21 Transmission Initiative with the Department of  
22 Energy and the Bureau of Land Management to ensure  
23 that new renewable facilities, and the associated  
24 transmission to access those facilities, is built  
25 in locations with the least environmental impact.

1           At the same time we feel the PUC should  
2       direct the IOUs to consider potential delays in  
3       projects because of environmental concerns when  
4       they are selecting projects and RPS contracts.

5           The errata for this chapter that was  
6       available out on the table is reflecting the  
7       recently signed Governor's Executive Order  
8       instituting a 33 percent RPS level and talking  
9       about some of the activities that will be done to  
10      ensure that the environmental permitting is  
11      streamlined for facilities in that area of the  
12      state.

13          Chapter 2 covers the issue of how energy  
14      efficiency savings are accounted for in the Energy  
15      Commission's demand forecast. Our demand forecast  
16      is the official statewide forecast that is used in  
17      many venues, like the PUC's procurement proceeding  
18      and the ARB's scoping plan for greenhouse gas  
19      reductions.

20          During development of the 2007 IEPR  
21      parties identified the need to better understand  
22      what is and is not included in our forecast in  
23      terms of energy efficiency savings. One of the  
24      major concerns was how efficiency savings are  
25      attributed in the forecast, particularly whether

1 and how savings from uncommitted programs, such as  
2 future standards or unfunded energy efficiency  
3 programs, are embedded in our forecast.

4 The Energy Commission agreed that this  
5 is a concern and during development of the 2008  
6 IEPR Update we began the process of clarifying the  
7 savings that are incorporated in the forecast.

8 Going forward we are going to be working  
9 with Itron, who is being funded by the PUC, they  
10 are graciously helping us with that in a major  
11 effort to improve the forecasting of efficiency  
12 savings. And the staff have also established a  
13 multiparty working group to work through this  
14 issue with parties and make sure that everybody  
15 understands what is in the forecast and that that  
16 is made more clear.

17 The chapter also reports on progress  
18 that has been made to date by utilities, both  
19 investor- and publicly-owned, towards achieving  
20 the statewide goal of all potentially achievable,  
21 cost-effective electricity and natural gas  
22 efficiency savings.

23 The recommendations in this chapter: The  
24 Committee recommends that we continue to address  
25 the potential overlap between efficiency savings



1 in our forecast and the assumed savings that are  
2 used in energy efficiency program planning.

3 We will also continue the efforts with  
4 the working group that I mentioned to improve the  
5 demand forecast in the 2009 IEPR cycle.

6 We also recommend that independent  
7 efforts to evaluate alternative methods of  
8 forecasting as part of the 2009 IEPR be continued.

9 And finally, we believe that the Energy  
10 Commission needs to continue working with the  
11 publicly-owned utilities to understand how they  
12 estimate their energy efficiency potential and set  
13 their targets. And encourage them to identify  
14 available funding sources other than the limited  
15 public goods charge funds that are available for  
16 this effort to help them meet their efficiency  
17 goals.

18 I will just note that there is errata  
19 for this chapter that clarifies the data that is  
20 included in Table 2 in the chapter that shows  
21 efficiency savings. This data is based on the  
22 2007 demand forecast. And I want to acknowledge  
23 that these numbers are likely to change as we  
24 refine and improve our energy efficiency  
25 measurement and attribution during the 2009 IEPR

1 process.

2 Chapter 3 covers electricity  
3 procurement. The 2007 IEPR discussed the need for  
4 improvements to the current electricity  
5 procurement process. This included having the  
6 utility plans use common assumptions to allow  
7 comparison between utilities, making sure that  
8 they adequately address ratepayer risks like  
9 higher volatile natural gas prices, that they  
10 extend over a longer time period, and that they  
11 incorporate environmental impacts and risks. And  
12 also that they use a social discount rate to value  
13 future fuel costs.

14 Chapter three also reports on progress  
15 that's made towards implementing these  
16 recommendations, discusses how the current  
17 procurement process could be improved, and also  
18 talks about issues surrounding aging power plants  
19 and plants that use once-through cooling.

20 Recommendations on long-term  
21 procurement: The Committee recommends that -- We  
22 acknowledge the progress that the PUC has made in  
23 improving procurement and we recommend that our  
24 staff continue to collaborate with the PUC in that  
25 process; recommend that the 2009 IEPR include an

1       assessment of long-run uncertainties and  
2       electricity demand and natural gas supplies and  
3       prices.

4               After exploring the use of a social  
5       discount rate in utility procurement plans the  
6       Committee recommends that we not use such a rate  
7       in the planning at this point since we are moving  
8       towards a portfolio approach that appears to be  
9       addressing the issue of future fuel cost risk in  
10      these plans. But the Committee does recommend  
11      that the PUC should reconsider this when they are  
12      refining how bids are evaluated in future  
13      procurement solicitations.

14             Regarding aging and once-through cooling  
15      plants: The Committee recommends that in the 2009  
16      IEPR we evaluate the impacts of continued reliance  
17      on these plants and that we get a better  
18      understanding of how adding high levels of  
19      renewables to the system will interact with our  
20      desire to reduce the dependance on these plants.

21             We also need to look at impacts on  
22      system reliability of removing these plants or  
23      repowering them; and what transmission upgrades  
24      might be needed to allow renewables to replace  
25      these once-through cooling plants.

1           The Committee recommended -- excuse me,  
2           committed in developing in the 2008 IEPR to  
3           conduct a 2009 IEPR, to conduct a public process,  
4           and to work with the PUC to develop a bid  
5           evaluation and selection process that reflects a  
6           number of procurement principles.

7           These are outlined here. Basically that  
8           it should be fair and objective, be transparent.  
9           Bids should be reviewed and ranked and selected by  
10          independent parties. For example, the PUC or  
11          independent evaluators using publicly available  
12          criteria.

13          Bid assessments should be based on  
14          appropriate costs and non-cost criteria and  
15          consider environmental impacts and the likelihood  
16          of attaining required permits and prior success of  
17          bidders in fulfilling contract and non-contract  
18          offerings.

19          The process should encourage -- excuse  
20          me, should be conducted in an efficient way.  
21          Avoid unnecessary administrative and transaction  
22          costs that might discourage market participants  
23          and impose greater costs on ratepayers.

24          Should expressly identify how the bid  
25          evaluation process considers project permitting.

1           And that it should protect commercially  
2 competitive information.

3           Chapter 4 is on the nuclear assessment.  
4 I won't go over this since we just went over that  
5 in pretty heavy detail. I do want to note that  
6 because this chapter in the IEPR summarizes the AB  
7 1632 report we will make conforming changes to  
8 this chapter in line with the errata that  
9 Commissioner Byron identified for that report.

10           Chapter 5 summarizes the evaluation  
11 required by Assembly Bill 2778 of the CPUC's Self-  
12 Generation Incentive Program. This legislation  
13 requires the Energy Commission to evaluate the  
14 costs and benefits of expanding eligibility for  
15 the program to include renewable and clean fossil  
16 distributed generation technologies.

17           When this program was established in  
18 2001 eligible technologies included microturbines,  
19 small gas turbines, wind turbines, solar  
20 photovoltaics, fuel cells and internal combustion  
21 engines. With the advent of the California Solar  
22 Initiative the PV technologies were removed from  
23 the program and as of January 2008 only fuel cells  
24 and wind technologies are eligible for the  
25 program.

1           The evaluation was done by TIAX, LLC  
2           under contract to the Energy Commission using data  
3           on more than 1,000 systems that was provided by  
4           the utilities. And the evaluation looked at  
5           environmental, macroeconomic and grid impacts.

6           Based on the evaluation the IEPR  
7           Committee recommends that eligibility for the  
8           Self-Generation Incentive Program should be based  
9           on overall efficiency and performance of systems  
10          regardless of fuel types.

11          Also recommends that the PUC should  
12          consider re-instituting technologies that use non-  
13          renewable fuels and renewable fuels like landfill  
14          gas, digester gas or biodiesel.

15          Recommend that because these systems  
16          often provide locational benefits, that the PUC  
17          should require IOUs to meet some portion of their  
18          distribution system upgrades by installing  
19          distributed generation or combined heat and power  
20          system in areas that provide these locational  
21          benefits to the system.

22          There were errata published for this  
23          chapter as well that basically just made it more  
24          clear that we are recommending that systems that  
25          use non-renewable fuels should be eligible for the

1 Self-Generation Incentive Program.

2 The final chapter of the IEPR Update  
3 provides a status report on 45 key recommendations  
4 from past IEPRs. The progress on the various  
5 recommendations is characterized as substantial,  
6 on-track or needs improvement. In the interest of  
7 time I am not going to go through any of these  
8 recommendations but just cover them generally.

9 We have made substantial progress on  
10 recommendations related to energy efficiency and  
11 transmission, on certain procurement-related  
12 recommendations.

13 We are mostly on-track for  
14 recommendations on demand response activities,  
15 natural gas, transportation, petroleum  
16 infrastructure, nuclear energy and the water/  
17 energy connection.

18 And we need some significant improvement  
19 in some procurement recommendations, many of the  
20 renewable recommendations, some land use and some  
21 distribution system recommendations.

22 So that is a very, very high level and  
23 fast overview of the '08 Update. Are there any  
24 questions from the dais?

25 CHAIRPERSON PFANNENSTIEL: Thank you,

1 Ms. Korosec. If there aren't direct questions  
2 from the dais I am going to ask for public  
3 comment. And then we can come back and see if  
4 there are questions or further comment from here.  
5 The only blue card I have is Manuel Alvarez from  
6 Edison.

7 MR. ALVAREZ: Good morning,  
8 Commissioners. Manuel Alvarez, Southern  
9 California Edison.

10 Actually I just have a couple of points  
11 I want to bring to your attention. First of all I  
12 would like to express our appreciation for our  
13 participation in this 2008 IEPR. I think we found  
14 the process fairly acceptable. And though we had  
15 13 hearings and a lot of controversies during the  
16 course of the process I think we end up in a very  
17 comfortable place.

18 We want to acknowledge your work on the  
19 renewable area and actually echo our support for  
20 the work that you have laid out there for the --  
21 specifically the integration work and efforts  
22 going on and your recognition of the many issues  
23 that confront the renewable arena, transmission  
24 and as they were relayed in Suzanne's  
25 presentation.



1           I want to bring to your attention one  
2   other item that wasn't presented and it is kind of  
3   a current affair and that's the current financial  
4   crisis that this country faces. I think it  
5   started to surface at the end of the process and I  
6   think you heard some at least preliminary comments  
7   about not much concern about the impacts of the  
8   credit crisis that is going on today in this  
9   country. But I think as you look at the news that  
10  has unfolded over the last month and the status of  
11  the financial markets I think it is definitely an  
12  issue that should be on your agenda for the 2009  
13  process.

14           Just as a side note. This morning as I  
15  was preparing for this activity I noticed that  
16  General Motors was down to \$1.53 a share. And one  
17  of the highlights I noticed in the news this  
18  morning was a short summary of some of the solar  
19  projects, solar companies' stocks, and those were  
20  actually down also. So it was just something that  
21  I would like to draw to your attention to make  
22  note of for the 2009 process.

23           The final item I want to bring to your  
24  attention is a longstanding item that we have  
25  discussed and deliberated on and that is the

1 procurement process. I just want to highlight one  
2 item in your recommendations I would like you to  
3 take note. And that is the recommendation for the  
4 evaluation of the bid selection process during the  
5 procurement process.

6 I would like to suggest and offer for  
7 your consideration that the notion of an  
8 independent evaluation, while identified in your  
9 report, should also take note of the need for  
10 collaboration between the Energy Commission and  
11 the CPUC and any independent evaluator that is  
12 ultimately identified.

13 I know this issue of collaboration tends  
14 to cause strain in the system at times, not only  
15 on procurement but also with greenhouse gases, as  
16 we heard about in other forums. But I think the  
17 coordination we would like to see and the  
18 requirements that take place provide valuable  
19 assistance for everybody in the procurement  
20 process.

21 And then I would like to also note your  
22 recognition on the continuing subject of  
23 confidentiality and your recognition of the  
24 appropriateness of keeping confidential certain  
25 commercial information during this process. And I

1 know that will be a subject of further discussion  
2 later on. Thank you.

3 COMMISSIONER BYRON: Mr. Alvarez, thank  
4 you for your thoughtful comments. Those are very  
5 good and I have noted all of them.

6 With regard to the procurement process  
7 and your suggestion about cooperation with the  
8 PUC. I would also add the Independent System  
9 Operator. The Chairman and I met with Yakout  
10 Mansour on the subject, amongst others, last week,  
11 and discussed the importance of procurement and  
12 setting up the requests for offers properly.  
13 Their organization is interested and sees the need  
14 for further cooperation.

15 MR. ALVAREZ: I would agree with that.  
16 I tend to forget about them because they tend to  
17 be so integrated in terms the procurement and  
18 operations process that at times I tend to think  
19 that they are actually involved more so than they  
20 are in terms of planning.

21 COMMISSIONER BYRON: Well, and perhaps  
22 they are and we are not aware of it. But  
23 Mr. Mansour indicated that we will work more  
24 closely on this particular subject as part of the  
25 '09 IEPR.

1           Also I did take some time, since you  
2 brought it up, in working with the Public  
3 Utilities Commission I met with a number of PUC  
4 Commissioners on this particular recommendation  
5 and they are very receptive to working with the  
6 Commission and the input that we have.

7           Of course it is their process but I  
8 think they are open, very much so, to seeing it  
9 become more transparent and more useful to the  
10 state in making sure we procure and see these  
11 projects built. While, of course, keeping in mind  
12 the lowest cost to consumers. I appreciate your  
13 comments and we are working on that, on all of  
14 them, but I just wanted to make note of that  
15 particular one.

16           MR. ALVAREZ: In fact I would just like  
17 to make one comment because I was reminded about  
18 Commissioner Boyd, even though he is not here  
19 today. This notion that it is their process. I  
20 think we all recognize that it is the State's  
21 process. And it is the coordination and  
22 collaboration of the entire State of California  
23 and the participants in that process that are at  
24 stake here, not merely a single agency.

25           COMMISSIONER BYRON: One more note if I

1       may. I thank you very much. I did meet with  
2       Southern California Edison, the executives there,  
3       as well as with the other three investor-owned  
4       utilities a number of months ago and solicited  
5       their input at the highest level with regard to  
6       the IEPR and received their commitment for  
7       participation in this and future IEPRs. So I  
8       thank you and your company for that.

9               MR. ALVAREZ: Thank you.

10              CHAIRPERSON PFANNENSTIEL: Thank you,  
11       Manny. Other public comment? Ms. Treleven  
12       representing PG&E.

13              MS. TRELEVEN: Good morning,  
14       Commissioners. I am Kathy Treleven, PG&E.

15              I would first like to thank the staff  
16       and the Committee for the impressive work of this  
17       Update, bringing it into being. It seems like  
18       each update cycle gets a little closer to being a  
19       full IEPR. And was it only 13 workshops?

20              (Laughter)

21              MS. TRELEVEN: I would particularly like  
22       to thank Suzanne Korosec for her organization and  
23       availability and her diplomacy in dealing with our  
24       concerns.

25              Second, PG&E wants to note our

1 appreciation for the highlighting of the work that  
2 needs to be done to bring even the most recently  
3 contracted renewables forward and integrated into  
4 our system. We have the same list of things from  
5 transmission to environmental siting to addressing  
6 the Governor's new workshops and working groups on  
7 our list. And we will be there with the staff  
8 working with you and many others.

9 On the question of procurement in  
10 general. We will be back in the 2009 IEPR. We  
11 believe that the procurement process has improved  
12 over time and is a good one for assessing  
13 viability for bringing forward the most cost-  
14 effective and the best resources to meet our  
15 reliability needs. And we will be with you in the  
16 2009 IEPR to talk about further changes.

17 And just one additional note. It this  
18 interest in reliability that will also bring us  
19 back the Monday after Thanksgiving for the  
20 workshops to really delve into the energy  
21 efficiency issues tied up with the demand  
22 forecast.

23 If there is a double counting of energy  
24 efficiency in the demand forecast then the  
25 forecasted need is too low and we don't get enough

1 resources. And PG&E has a strong interest in  
2 rolling our sleeves up and helping to resolve that  
3 issue, looking at the Commission's standing models  
4 and alternative forecasting methods.

5 Thank you for the opportunity to make  
6 these short comments and we will be back next  
7 year.

8 CHAIRPERSON PFANNENSTIEL: Thank you,  
9 Kathy. Other public comment on the IEPR?

10 Comments from Commissioners? I have a  
11 few but let me offer -- Let me, before we turn to  
12 the Presiding Commissioner on the IEPR, let me  
13 first offer words of appreciation to the people  
14 who worked so hard on this IEPR. And I want to  
15 start with Suzanne again. This was a grand  
16 experiment. We have a permanent IEPR staff and  
17 most of the year she was it. Then she was hiring  
18 staff and putting people together. Just  
19 incredible both organizational skills and great  
20 depth of knowledge of content made such a  
21 difference. This was my third IEPR and she  
22 certainly made it my easiest one. Again, only 13  
23 workshops? It seemed like a lot more.

24 (Laughter)

25 CHAIRPERSON PFANNENSTIEL: It was

1 really, though, incredibly -- we moved a lot more  
2 smoothly than the others have.

3 I also want to thank the rest of the  
4 staff. There was a large staff effort in each of  
5 these subject. People put in extra time and it  
6 showed in the quality of the work.

7 I also wanted to add thanks to the  
8 stakeholders. There were many participants in  
9 these workshops and we went out of our way to give  
10 people an opportunity to review drafts and review  
11 reports and come in and give us comments and  
12 people took us up on that. That made the product  
13 a lot better.

14 Clearly Commissioner Byron and Laurie  
15 Ten Hope were the driving forces behind this  
16 product being as really as sharp, as focused, as  
17 meaty as it is, both in the planning of it and  
18 then the bringing it right down to the very last  
19 detail. I know because Jeff and I have been  
20 working on the detail since early hours this  
21 morning.

22 In a grander scope, this IEPR is really,  
23 it is an update of the loading order. It takes  
24 the three parts of the loading order and looks at  
25 what we need to do to make that work. It takes



1 energy efficiency and looks at how are we  
2 estimating it and is that correct. It looks at  
3 renewables and says, if we are going to move  
4 farther with renewables than we have than what do  
5 we need to do? Let's get ready to do that.

6 And then it looks at the fossil  
7 procurement in terms of, is this working correctly  
8 to give the State both the most efficient and the  
9 least cost procurement results that we need.

10 Really, really important for us. This  
11 is not an academic exercise, this is really moving  
12 forward in the loading order.

13 Let me digress a little bit onto the  
14 question of the energy efficiency in the forecast.  
15 Because I really think that fundamentally we need  
16 to get that right. If there is anything in this  
17 report that is slightly disappointing to me, is  
18 that it feels we haven't moved a long ways from  
19 where we were last year at this time in adopting  
20 the '07 IEPR. Where we identified the question of  
21 our forecast and how we incorporate energy  
22 efficiency into the forecast as a really important  
23 element of what we do.

24 And when you think about it, it is  
25 really one of the most fundamental roles the

1 Energy Commission plays. We have prepared the  
2 statewide electricity demand forecast. And that  
3 forecast is used for many purposes throughout the  
4 state, reliability being one but many others. We  
5 need to get that right.

6 So we need not only to make sure that we  
7 know that it is right. And I think to a large  
8 extent we do feel that we have it right. We have  
9 to convince the other stakeholders, the rest of  
10 the state has to have the same confidence in that  
11 forecast that we have. So that when others use it  
12 and rely on it they have to understand it  
13 fundamentally well.

14 We need therefore to be able to  
15 communicate what we do, explain it, work with  
16 others, bring them into our process. So  
17 communication of what we do is I think more  
18 important than it has been played up.

19 It is possible that in fact we need to,  
20 we need to think about doing the forecast  
21 differently. We have been doing it the same way  
22 for a long time and it has worked to where we are  
23 now. But it may be time to rethink the analytical  
24 base for the forecast. Or at least to rethink it  
25 to the point of deciding that what we have is the

1 best that we should have.

2 And I direct this to our Executive  
3 Director as we go through the effort to improve  
4 this process. And I know we are kicking it off.  
5 December 1 is, in fact, a year after we adopted  
6 last year's IEPR where we said we were going to  
7 approach this. We need to look at this clearly as  
8 not an academic exercise but fundamental to the  
9 Energy Commission's mission.

10 And I will put in there a plea that we  
11 really see this as trying to get to 100 percent of  
12 cost-effective energy efficiency. It is the goal  
13 we adopted last year. We set it out for  
14 ourselves. I don't see that term anywhere in the  
15 chapter that's in front of me now. So we need to  
16 be thinking about this as our next big step. And  
17 I will trust this to the '09 IEPR Committee and  
18 its Presiding Member, who I know will carry this  
19 forward.

20 So with that, again thanks to everybody  
21 who made it a very successful update, a very  
22 strong, positive and meaty update. Commissioner  
23 Byron, have you comments?

24 COMMISSIONER BYRON: Thank you, Madame  
25 Chairman, yes I do. Unfortunately I have a few of

1       them.

2               It is an amazing process, what we do  
3       here at the Energy Commission on these Integrated  
4       Energy Policy Reports.  Fortunately, the easy part  
5       is that as the Chairman of this Committee I get to  
6       build on some very substantial work and good  
7       recommendations from prior IEPRs.  I think it is a  
8       lot easier to stand tall on the work of others and  
9       the Commissioners that have preceded me in this.

10              And I do take your charge seriously.  We  
11       will continue to work on improving these  
12       forecasting approaches in the '09 IEPR.  We would  
13       be myself and Commissioner Boyd.

14              I would like to extend my thanks to the  
15       Chairman who has brought her experience and  
16       expertise and guidance to our completing this.  By  
17       the way, if we approve it today it will be on  
18       time.  I don't think we could have done it without  
19       you, I appreciate it very much.

20              And I would also like to put on the  
21       record the fact that we anticipate that we will  
22       get that coveted Governor's response that is  
23       required by the legislation that is extremely  
24       important to the people of the state.  This  
25       Commission develops this policy through a public

1 process and the Governor's response really helps  
2 to focus and direct this agency or this Commission  
3 and the other Commissions and agencies of the  
4 State on the right topics going forward. That  
5 will be extremely important and we will work to  
6 see if we can get that response.

7 I will thank briefly Ms. Korosec and her  
8 staff, all of whom I haven't even had a chance to  
9 meet yet we have been so busy, for an excellent  
10 job. And I am very fortunate to have you and this  
11 newly structured group to take on this  
12 responsibility.

13 But like I said, this is just the  
14 warmup, the Update. We have got to go through a  
15 much more arduous process because we will be  
16 digging into some of these subjects in much more  
17 detail than we were able to as part of this  
18 Update.

19 Most of all it is important to thank the  
20 parties. My sense is that everyone that  
21 participates in the IEPR, and participates for  
22 that matter in Energy Commission activities, is  
23 getting spread rather thin. I am very conscious  
24 of that. I think probably a lot of folks are at  
25 the Air Resources Board on other subjects.

1                   But as difficult as it is we definitely  
2                   need your continued involvement, particularly as  
3                   we go through the integration of renewables issue.  
4                   That would be in response -- as we brought it up  
5                   in the earlier IEPR. But as you'll see, we have  
6                   got some changes even that are required in this  
7                   IEPR as a result of an Executive Order that came  
8                   out this week.

9                   So having said that I would like to go  
10                  through those changes. I think it can be done  
11                  rather briefly. The first one is an errata that  
12                  Ms. Korosec has prepared that is primarily needed  
13                  in response to the Executive Order that the  
14                  Governor signed on Monday. Two of my fellow  
15                  Commissioners were present and aware of this  
16                  certainly.

17                 I am generally convinced that the four  
18                 changes that Ms. Korosec has outlined in the  
19                 errata address all the places in the IEPR that are  
20                 necessary to demonstrate our awareness and  
21                 incorporation of the requirements to that  
22                 Executive Order. Ms. Korosec, would you like to  
23                 add anything else with regard to this errata?

24                 MS. KOROSEC: No, I think that you have  
25                 characterized it correctly.

1                   COMMISSIONER BYRON:  So I hope I don't  
2   have to read all these.

3                   MS. KOROSEC:  No, these will be posted  
4   and they have been posted for people to look at so  
5   they are available.  And we will compile all of  
6   the errata that you have there, the three separate  
7   sheets, into one single sheet for the parties to  
8   see what the difference is.

9                   COMMISSIONER BYRON:  Good.  Well of  
10   course we will open this up to comment if there's  
11   any comments as a result of these changes.

12                  The second errata I'd like to address  
13   would be the one that addresses Chapter 5.  And I  
14   don't think these are very extensive.  You can  
15   tell there's two places where we are trying to  
16   correct an omission that is consistent with  
17   previous IEPR recommendations.  And that is that  
18   we make sure that the full benefits of ultra clean  
19   and low emission and essentially non-renewable  
20   fuels such as natural gas are incorporated once  
21   again into the Self-Generation Incentive Program.

22                  I also would comment, although it  
23   doesn't require a change to the IEPR.  You may  
24   recall that there was some legislation earlier  
25   this year, I believe presented by Senator Kehoe.

1       There is some concern regarding the cost of a  
2       Self-Generation Incentive Program Evaluation  
3       Report that was included in that legislation.

4               There may be some misconception. It is  
5       really good to do these kinds of evaluations  
6       because, as you know, we are spending public goods  
7       money here. I think we could call it ratepayer  
8       monies. And it is good to test the effectiveness  
9       of how effectively we spend those funds for  
10      efficiency gains.

11             But I would like to make sure that  
12      everyone understands that the money for such  
13      studies do not, as I understand it, come from the  
14      general funds. The Energy Commission is a special  
15      funded agency and funds for such studies come from  
16      our energy surcharge and I think that did have  
17      some effect on that legislation.

18             Having said that, I would like to put  
19      forward the errata for Chapter 5 for your  
20      consideration. Ms. Korosec, anything to add on  
21      Chapter 5?

22             MS. KOROSEC: No.

23             COMMISSIONER BYRON: Okay. The other  
24      one, Madame Chairman, I am going to need some help  
25      on because of your longstanding involvement and



1 expertise on this. And that is, that we do have  
2 some concerns that were raised around the energy  
3 efficiency chapter. Could I ask if you could take  
4 us through this.

5 CHAIRPERSON PFANNENSTIEL: Sure.  
6 Specifically Chapter 2, page 40, and then there is  
7 a table on page 41. And what we are proposing is  
8 some language that would characterize what is in  
9 that table. The table purports to show energy  
10 efficiency savings and it is broken down by  
11 programs and standards and then market effects and  
12 then a total for both past and historical years.  
13 The point really is that the attribution, the  
14 breakdown of that is exactly what we are going to  
15 be working on going forward as we reevaluate our  
16 models and our processes.

17 So we are proposing some language that  
18 will really characterize this as a work in  
19 progress. This is based on our 2007 demand  
20 forecast. But the allocation among those columns  
21 in Table 2 are likely to change as we go forward.  
22 So we have a paragraph, which I won't read into  
23 the record, that is available in print outside,  
24 and then Suzanne said it will all be posted  
25 shortly, that would make that distinction.

1                   COMMISSIONER BYRON: So my suggestion  
2 would be to see if we have any additional  
3 Commissioner or public comment on these proposed  
4 changes.

5                   CHAIRPERSON PFANNENSTIEL: Are there  
6 further comments based on these errata? Yes,  
7 Commissioner Douglas.

8                   COMMISSIONER DOUGLAS: Well, very  
9 briefly. I did sit in on a number of the IEPR  
10 workshops, although not nearly all 13. And I also  
11 wanted to add my voice in appreciation to the  
12 staff and also to the IEPR Committee for staying  
13 on top of all of this material and helping us get  
14 this report out. I think it is excellent and I  
15 will be pleased to support it.

16                  CHAIRPERSON PFANNENSTIEL: You will get  
17 your chance too.

18                  (Laughter)

19                  COMMISSIONER DOUGLAS: I'm sure I will.

20                  COMMISSIONER BYRON: I think this might  
21 be a good time just before I make a motion to  
22 approve. This is a somewhat unique IEPR in that  
23 we have done a dedication. And with the  
24 Commission's approval I would like to read the  
25 dedication as well as comment.

1                    "This report is dedicated to  
2                    the memory of Jane Hughes Turnbull,  
3                    June 13, 1932 to October 18, 2008.  
4                    With gratitude for her tireless  
5                    devotion and invaluable  
6                    contributions to the development of  
7                    California's energy policies on  
8                    behalf of the League of Women  
9                    Voters and all the residents of  
10                   California."

11                   I think many of you knew Jane. She was  
12                   an extraordinary woman who we will very much miss.  
13                   She represented the League as well as California  
14                   in general before this Commission and before the  
15                   PUC and who knows elsewhere.

16                   She not only did that but she worked  
17                   tirelessly to help educate the constituents of  
18                   this state through the League.

19                   I know I had opportunity to attend some  
20                   of the workshops that she organized. She also  
21                   provided excellent input to this Commission. And  
22                   she did it all for free, having been a volunteer.  
23                   I understand that even up until the time of her  
24                   death she was working on comments that she wanted  
25                   to present on this report to the Commission. I

1 believe she was even on the phone on one of our  
2 Committee Workshops shortly before her demise.

3 I had opportunity to attend her memorial  
4 service a couple of weekends ago. I can tell you  
5 she has a wonderful family. It was quite humorous  
6 at times but energy was a big part of her life.  
7 Many people spoke to that topic. And I felt  
8 compelled to break a rule and that is that I never  
9 speak on behalf of Commissioners. But in this  
10 case I felt relatively confident that I could say  
11 that when Jane Turnbull talked all the  
12 Commissioners listened.

13 So having said that I also indicated to  
14 her husband, Stan, that we would, with my  
15 Commission's approval, dedicate this to Jane. And  
16 I hope that is all met with agreement here today.

17 CHAIRPERSON PFANNENSTIEL: Thank you,  
18 Commissioner Byron. And then with that would you  
19 like to move adoption with the errata?

20 COMMISSIONER BYRON: I do. It is with  
21 some pride and thankfulness I would like to move  
22 the Commission's approval of this 2008 IEPR  
23 Update.

24 COMMISSIONER ROSENFELD: Second.

25 CHAIRPERSON PFANNENSTIEL: All in favor?

1 (Ayes.)

2 CHAIRPERSON PFANNENSTIEL: Thank you.

3 Thank you, Ms. Korosec.

4 MS. KOROSEC: Thank you.

5 CHAIRPERSON PFANNENSTIEL: Minutes.

6 Approval of the Minutes of the November 5 Business  
7 Meeting.

8 COMMISSIONER ROSENFELD: I move the  
9 minutes.

10 COMMISSIONER DOUGLAS: Second.

11 CHAIRPERSON PFANNENSTIEL: All in favor?

12 (Ayes.)

13 CHAIRPERSON PFANNENSTIEL: The minutes  
14 are approved. Thank you, Harriet.

15 Commission Committee Discussion. Any  
16 discussion? Yes.

17 COMMISSIONER DOUGLAS: I thought -- As  
18 Commissioner Byron mentioned the signing of the  
19 Executive Order on Monday I thought I would say  
20 something about it.

21 CHAIRPERSON PFANNENSTIEL: Yes, thank  
22 you.

23 COMMISSIONER DOUGLAS: Chairman  
24 Pfannenstiel and I were both present. And it was  
25 a very big day, I think, for both energy policy in

1 California and for this Commission because it gave  
2 us a tremendous, new to-do list that we are going  
3 to be working through very, very quickly.

4 CHAIRPERSON PFANNENSTIEL: Be careful  
5 what you ask for.

6 COMMISSIONER DOUGLAS: That's exactly  
7 right, be careful what you ask for. On Monday  
8 Governor Schwarzenegger signed an Executive Order  
9 calling for a 33 percent by 2020 RPS requirement.  
10 The Legislature was very well represented.  
11 Senator Steinberg was there. Assembly Members  
12 Krekorian and Blakeslee were both there. In fact  
13 the CEO of Edison and San Diego Gas and Electric  
14 and a representative from PG&E all spoke. LADWP  
15 and SMUD were both present. We had really a  
16 tremendous turnout.

17 The Executive Order very clearly  
18 recognized the responsibility of California state  
19 agencies to do our part in making 33 percent RPS  
20 achievable and in particular gave the Energy  
21 Commission and our partners the Department of Fish  
22 and Game a number of action items on the siting of  
23 renewable projects. These include developing a  
24 natural community conservation plan beginning with  
25 the Mojave and Colorado deserts in order to ensure

1 both timely siting and long-term conservation of  
2 desert species.

3 We are also going to -- We were also  
4 charged with, jointly with Department of Fish and  
5 Game, designating high priority renewable  
6 development areas within which projects would get  
7 certain benefits in our siting process,  
8 particularly a shorter time frame.

9 This is only possible to the extent that  
10 we are able to designate low conflict, high value  
11 land. And then if we know in advance that the  
12 environmental risks and mitigation associated with  
13 that land are low we can be relatively sure that  
14 we can get through our siting process with fewer  
15 complexities and more quickly. It will involve,  
16 obviously, potentially prioritizing some of these  
17 projects as well in our time line.

18 We have still got to -- We have got some  
19 work to do in thinking about how to proceed with  
20 that and the question of whether legislation would  
21 be necessary or helpful to really make it work.  
22 But we have been directed, I believe, to begin  
23 with this in February so we will -- obviously we  
24 are thinking about it now.

25 The Energy Commission has also been

1 charged to develop a best management practices  
2 manual for siting of desert solar projects. And  
3 again this is particularly important right now I  
4 think because the siting of desert renewable  
5 projects faces our Commission with issues that we  
6 really don't confront when we, when we site  
7 natural gas plants.

8 There's different types of environmental  
9 issues, different scale sometimes of environmental  
10 issues. And there is also a very wide range of  
11 different solar technologies, all of which have  
12 slightly different footprints and impacts. And so  
13 I think this will be helpful as the beginning, not  
14 the end of public dialogue on how to make siting  
15 both faster and easier and also environmentally  
16 sound.

17 There were two MOUs signed. One was  
18 between the Energy Commission and Department of  
19 Fish and Game creating an interagency team that  
20 will work on these renewable siting issues,  
21 including the designations. And an MOU between  
22 our new team and Bureau of Land Management Fish  
23 and Wildlife Service.

24 Ideally we would really like to see eye-  
25 to-eye with federal agencies on where renewable



1 infrastructure should go in the state and what the  
2 mitigation package should be and the long-term  
3 mitigation package should be that goes along with  
4 the siting. So this was a very important first  
5 step in creating that joint vision. And again,  
6 the more we can do to coordinate with the federal  
7 agencies the better off we will all be in terms of  
8 meeting our RPS goals.

9 Chairman Pfannenstiel signed both of  
10 those MOUs and I don't know if you have anything  
11 to add but I wanted to point this out. And also  
12 say that our siting staff already had a high  
13 workload and this is adding to that workload. So  
14 we will be talking to staff about our priorities  
15 and how to make this all work and how to fulfill  
16 the Governor's expectations.

17 CHAIRPERSON PFANNENSTIEL: Thank you,  
18 Commissioner Douglas, for the summary. And thank  
19 you for all your hard work. You have been the  
20 Energy Commission's lead negotiator, if you will,  
21 in putting this together for many months now.  
22 Your dedication and your faith that it would  
23 finally work out paid off. What was signed, both  
24 the MOUs, but largely the Executive Order, was  
25 just really good product after all of that.

1           COMMISSIONER DOUGLAS: I will say that I  
2    think both Panama Bartholomy, my advisor, and I  
3    lost a lot of credibility over the months by  
4    telling people that it would be out within the  
5    next week or two. And we probably said that --

6           CHAIRPERSON PFANNENSTIEL: I was waiting  
7    to see it on Earth Day this year.

8           COMMISSIONER BYRON: That merits a  
9    comment. I don't think there is a problem that it  
10   took as long for this to get out. If it had come  
11   out quickly without the preparation and effort  
12   that had gone into it I think we would be dreading  
13   it. But this Commission is ready for this  
14   Executive Order. In fact I think unlike maybe  
15   some other Executive Orders we had a lot of  
16   opportunity for input to this. So I applaud this  
17   Commission and this Governor for this Order. I  
18   think it is extraordinary.

19           But it does have a number of dates when  
20   things need to get done. I turn to the Executive  
21   Director. I have already gotten a notice this  
22   morning that the Deputy Director of the Siting,  
23   Transmission and Environmental Program --  
24   Division, I'm getting used to the new name,  
25   already wants a meeting to prioritize work. So it

1 is definitely going to add to the workload. But  
2 these are the right things that this Commission  
3 recommends that we be working on. Do you want to  
4 speak to that?

5 MS. JONES: We have a number of workload  
6 concerns and issues. We are stepping up to be  
7 able to do the work that is envisioned in the  
8 Executive Order and we just need some priority  
9 calls from Commissioners on how we go about that.

10 CHAIRPERSON PFANNENSTIEL: We can do  
11 that.

12 COMMISSIONER BYRON: I commend you too,  
13 Commissioner. I think it is extraordinary, this  
14 Executive Order, and I thank you for your work on  
15 it.

16 COMMISSIONER DOUGLAS: Well thank you.  
17 And I also agree that actually the product got  
18 better over time. The staff has been tremendous  
19 in across the board being willing to step up and  
20 take this on, given everything else that is on  
21 their plates.

22 CHAIRPERSON PFANNENSTIEL: Thank you.

23 I know it is getting late. Let me just  
24 mention that -- I guess it is worth more than a  
25 mention but we don't have real time for it, that

1 Commissioner Rosenfeld and I spent the last two  
2 days down in Southern California at the Governors  
3 Climate Change Summit, hosted by our governor but  
4 involving governors of several United States and  
5 states from other countries. We had governors  
6 from Brazil, Mexico.

7 COMMISSIONER ROSENFELD: Two or three  
8 states in Brazil.

9 CHAIRPERSON PFANNENSTIEL: That's right.  
10 And Canadian provinces and China and India. I  
11 think there were something like 900 people at the  
12 summit. It was amazingly well-focused on what can  
13 be done by the sub-national governments to make  
14 climate change real and to make the actions that  
15 we have to take coordinated and science-based and  
16 well-developed.

17 It was surprising that something like  
18 this maybe hasn't been done before because there  
19 was such an outpouring of a lot of work that has  
20 been done separately. So bringing it together  
21 really heightened both the need and the effort  
22 underway currently.

23 It was a very impressive organization.  
24 Beginning with an introductory video from  
25 President-Elect Obama who addressed us and gave us

1 his sort of inspirational view of what needs to be  
2 done. It is the only time in my life I have seen  
3 a video get a standing ovation. And it was just  
4 spontaneous. The room just sort of erupted.

5 COMMISSIONER ROSENFELD: Well he  
6 specifically, specifically he said he favors an  
7 aggressive cap and trade program.

8 CHAIRPERSON PFANNENSTIEL: Right. He  
9 was quite affirmative of many of the policies so  
10 it was very good.

11 Other further Commission discussion?

12 Let's move on to Chief Counsel Report.

13 MR. CHAMBERLAIN: Thank you, Madame  
14 Chair. I do have a brief report today. I'll keep  
15 it brief since it is so late.

16 COMMISSIONER ROSENFELD: Bill, a little  
17 closer to the mic.

18 MR. CHAMBERLAIN: Okay. Is this better?

19 COMMISSIONER ROSENFELD: Yes.

20 MR. CHAMBERLAIN: As the Commissioner  
21 will recall, in 2002 the Legislature directed the  
22 Commission to adopt water use standards for  
23 residential clothes washers; and as you recall we  
24 had to file a petition for waiver of preemption  
25 with the Department of Energy.

1           Unfortunately in 2006 that petition was  
2       denied and we have been in the process of  
3       litigating with the Department of Energy on that  
4       issue for the last two years.

5           On Monday I attended the oral argument  
6       in the Ninth Circuit Court of Appeals on that case  
7       and the argument was given on our behalf by  
8       Jonathan Bles of my office. He did an excellent  
9       job. The argument was before Judges Canby,  
10      Wardlaw and Trager. These judges are all  
11      appointees of President Clinton and President  
12      Carter, which we viewed as a good sign, however  
13      that is no guarantee that we would win the case.

14           There were two principal issues in the  
15      case. The first one was whether the Ninth Circuit  
16      Court of Appeals had jurisdiction at all, and the  
17      second, of course, was the merits. Did the  
18      Department of Energy commit the legal errors that  
19      we contended that they had committed.

20           The Court seemed interested in both of  
21      these and asked probing questions of both sides,  
22      showing that they had all read the briefs and  
23      absorbed a lot of the detail of the arguments made  
24      in those briefs.

25           On the jurisdictional point the Court

1       certainly understood our contention that it makes  
2       no sense for this case to be heard in the district  
3       court first because the district court would be  
4       considering the very same record before DOE that  
5       the Court of Appeals is considering. There would  
6       be the same standard of review, no fact finding is  
7       required, and there would be considerable delay if  
8       it went to the Court of Appeals.

9               Indeed even the government's attorney  
10       conceded that this made little sense but he also  
11       argued that unless Congress makes it crystal clear  
12       on the matter that the matter can be heard in the  
13       Court of Appeals, the rule of law is that it is  
14       heard first in the District Court.

15              We argued to the contrary. That Supreme  
16       Court precedent says that judicial review in  
17       rulemaking matters is to be heard in the Court of  
18       Appeals unless Congress has made it crystal clear  
19       that they are to be heard first in the District  
20       Court. And of course this particular federal law  
21       doesn't address how 6297 waiver petition decisions  
22       are to be judicially reviewed specifically. So we  
23       believe that we should win that.

24              A magistrate had denied a motion to  
25       dismiss this case that was filed by the government

1 but without prejudice to the merits panel  
2 addressing it anew.

3 If the Court agrees with us on the  
4 jurisdictional point, their questions really  
5 didn't indicate very clearly what they would  
6 decide on the merits. But they did indicate that  
7 if they rule for California it is likely the  
8 result will be some sort of order remanding the  
9 matter to DOE with a deadline.

10 In fact, one judge in questioning  
11 Mr. Blees about his contention that the Court  
12 should simply order the issuance of the rule that  
13 we want, which we considered to be perhaps our  
14 most audacious argument, he said, you know,  
15 wouldn't the appropriate remedy be to provide a  
16 deadline of something like 90 days for DOE to take  
17 action, consistent with the Court's decision.

18 And my own thinking was, I would accept  
19 that, especially under the circumstances. The  
20 worst case, I would say, would be that they would  
21 send the matter back to the District Court. And  
22 in that case we might find it better at this point  
23 to simply file a new waiver petition.

24 Interestingly the Court did seem very  
25 aware of the fact that a new administration would



1 be viewing this and might view it differently,  
2 although Mr. Blees pointed out that the head of  
3 this particular office has been in that job for  
4 three administrations now so there is no guarantee  
5 there.

6 Looking forward I think we should -- And  
7 I realize we have just talked about all the  
8 different things the Energy Commission has to do  
9 that are new. We might want to consider polishing  
10 our waiver petition in the event that we are not  
11 successful here and have to file a new one. It is  
12 also possible, of course, if we prevail, that the  
13 new administration would see this based on a  
14 remand from the Court.

15 If there are no questions about that the  
16 other thing that I would report to you is that I  
17 am looking for a Business Meeting sometime in the  
18 next few weeks, hopefully where all five  
19 Commissioners could be here and where the agenda  
20 is not too difficult because I have developed the  
21 presentation that I promised you some months ago  
22 about the Western Electricity Coordinating  
23 Council.

24 I think that you should know more about  
25 that organization because it is rapidly developing

1       into an organization whose tasks and policies are  
2       more consistent now than they ever have been  
3       before with those of this Commission in terms of  
4       trying to ensure reliability but also prepare for  
5       the future of a much higher renewable content in  
6       our electricity.

7               CHAIRPERSON PFANNENSTIEL: Thank you,  
8       Mr. Chamberlain. If you will work with Harriet on  
9       scheduling that. There are two Business Meetings  
10      left before the end of the year.

11             MR. CHAMBERLAIN: Right.

12             CHAIRPERSON PFANNENSTIEL: Maybe you can  
13      get on either one of those.

14             MR. CHAMBERLAIN: I will be doing that,  
15      thank you.

16             CHAIRPERSON PFANNENSTIEL: Thank you.  
17      Executive Director Report.

18             MS. JONES: I'll make it very quick. I  
19      wanted to join the Commission in expressing my  
20      appreciation to Suzanne Korosec for her lead role  
21      in the IEPR, she has been a blessing.

22             I would also like to acknowledge Terry  
23      O'Brien who is the deputy director for the siting  
24      division who was very helpful in terms of the  
25      Executive Order, who has the highest historic

1 power plant siting workload but who has really  
2 stepped to the plate and is really allocating  
3 resources to reflect the priorities of the  
4 Commission and the state policies regarding  
5 renewables.

6 CHAIRPERSON PFANNENSTIEL: Here, here.  
7 Terry certainly gets my thanks and our  
8 endorsement. Thank you.

9 Leg Director Report.

10 MR. MARXEN: I have no report.

11 CHAIRPERSON PFANNENSTIEL: Thank you.

12 Public Adviser.

13 MS. MILLER: Just a couple of quick  
14 bookkeeping for you to be able to record.

15 We have got Lodi that is now data  
16 adequate so I am going to be assigning that in my  
17 office to my staff, Nick Bartsch. On December 1st  
18 I will be attending the Orange Grove prehearing  
19 conference here in Hearing Room B. Also on that  
20 day Associate Public Adviser Loreen McMahon will  
21 be in Imperial for the informational hearing and  
22 site visit for Solar 2. I will be at the Palmdale  
23 site visit on December 4.

24 And lastly I will say that we are  
25 getting ready for Marsh Landing and Willow Pass.

1 Notices will also be going out that first week of  
2 December. And also on Friday, December 19 we have  
3 the evidentiary hearing in Fallbrook for Orange  
4 Grove. And someone from my office, it may not be  
5 me because I will be in Pittsburg the night  
6 before, but somebody from my office will be  
7 attending that. And that's all I have to report,  
8 thank you.

9 CHAIRPERSON PFANNENSTIEL: Thank you.  
10 When Terry gets busy the Public Adviser's Office  
11 gets busy.

12 MS. MILLER: And we have a member of the  
13 audience that would like to make comment.

14 CHAIRPERSON PFANNENSTIEL: That's right.

15 MS. MILLER: Thank you.

16 CHAIRPERSON PFANNENSTIEL: We are now to  
17 public comment.

18 MR. GALATI: I hate Public Comment  
19 always being last, late in the hour, but I wanted  
20 to, number one, congratulate you on the Executive  
21 Order, acknowledge Commissioner Douglas for work  
22 on the NCCP. But I wanted to raise two things  
23 that I think that might be helpful. And again,  
24 these comments are on behalf of me, not of my  
25 clients.

1           Your SB 1059 transmission designation  
2     authority. What is happening with RETI is  
3     admirable and good and appreciated. It has to  
4     happen that way. Once you get done with your  
5     transmission line planning then there needs to be  
6     some environmental review.

7           I know that the Commission would prefer  
8     to have somebody come forward and say, please  
9     designate this corridor. I don't see that  
10    happening. So I would urge you to designate your  
11    own and begin the environmental review.

12          And the reason I am trying to avoid this  
13    is, what is happening with the Natural Community  
14    Conservation Plan is wonderful and should have  
15    happened five years ago so that we are here with  
16    renewable plants that could take advantage of that  
17    process being completed.

18          I don't want to have that same problem  
19    with transmission. Having permitted the Blythe 1  
20    and the Blythe 2 projects where there was no  
21    transmission. Transmission coming, transmission  
22    being thought of, environmental review going on,  
23    it is very difficult. That's why one of those  
24    plants is not built. So I would urge you to think  
25    about the transmission designation process.

1           Now I recognize you do not have the  
2       staff to do that. And so one of the things that I  
3       would offer is for you to reach out to the private  
4       development community to help either fund or to  
5       help perform some of those duties. I know that it  
6       is not something you are used to but I think there  
7       may be enough interest from an association  
8       perspective or a collaborative perspective to do  
9       what needs to be done in this state for  
10      renewables.

11           We all recognize the transmission  
12      problem. But I think that the transmission  
13      environmental siting problem is something that is  
14      solvable if we have enough people. So again, I  
15      recognize the siting staff is swamped and can't do  
16      that work. But it doesn't mean that we shouldn't  
17      try to figure out a way to do it. So I would --  
18      It is an idea that I have been thinking about for  
19      a while. I am not sure how to make it work. I  
20      thought I would throw it on the table, maybe you  
21      guys could figure it out.

22           CHAIRPERSON PFANNENSTIEL: Thanks Scott,  
23      that's a very good idea. Commissioner Byron.

24           COMMISSIONER BYRON: Normally I don't  
25      ask someone giving general comments questions but

1       -- I appreciate your encouragement on this. It is  
2       the first time I have heard anyone outside this  
3       Commission make the case or make a suggestion that  
4       we pursue the corridor designation process here.  
5       Can I ask, are you suggesting that because you  
6       recognize this Commission's unique ability to do  
7       that or do you see a strong need for it at this  
8       point?

9               MR. GALATI: Both, Commissioner Byron.  
10       I was very active in trying to make sure that  
11       those regulations were meaningful, not on behalf  
12       of a client but on behalf of the State of  
13       California. I know that in order for that process  
14       to work it must mean something and it must be a  
15       true environmental review upon which tiering can  
16       take place.

17              And I know that's not where those  
18       regulations were headed. They got there, and I  
19       think they got there largely because there were  
20       other people who recognized how helpful that would  
21       be to have a corridor designated so that the  
22       environmental issues could be resolved in an  
23       environmental process, whereas the CPCN issues can  
24       be reviewed in the CPCN process.

25              When you combine the two, my experience

1 has been and I think the State's experience has  
2 been, is transmission siting is long, lengthy and  
3 unproductive. You have a unique opportunity I  
4 think that was envisioned by SB 1059. And I think  
5 that if you took that opportunity you could do  
6 more towards causing more renewables to be on-line  
7 than maybe any other action you could take.

8 COMMISSIONER BYRON: So besides  
9 educating the developers about the value of the  
10 process do you see any other thing that is  
11 impeding that from coming forward with  
12 applications?

13 MR. GALATI: I don't think that there  
14 are people who want to say, I will build that  
15 transmission line here. But if you designated one  
16 of several corridors I believe that there could be  
17 some collaboration and joint projects. There  
18 could be some independent, maybe even private  
19 projects. There might even be an investor-owned  
20 utility that says, that's a good corridor.

21 But remember what happens when somebody  
22 says, I will build that project there. If it is  
23 an investor-owned utility they are committing to  
24 the CPUC. They are committing to a long-term  
25 project. Is it in their plan? How is it



1 justified? It is cumbersome.

2 I don't think that is going to happen in  
3 a short period of time. Typically what an  
4 investor-owned utility does is sees where the  
5 projects are coming and then sees who is going to  
6 pay and then figures out how to do that. That's  
7 how the process works.

8 The same thing with the publicly-owned  
9 utility. There doesn't seem to be a large enough  
10 publicly-owned utility to fund a 553 megawatt  
11 solar project. But there certainly can be some  
12 collaboration. And if they knew where the  
13 corridor was and the developer said, I'll build to  
14 get near that corridor, I think you will find  
15 people step up and build that transmission.

16 COMMISSIONER BYRON: Well, I appreciate  
17 your comments very much. In fact there are work  
18 plans in the approval process, if not approved  
19 already in this Commission, to indeed do that, to  
20 self-apply and move forward on corridor  
21 designation. So I appreciate your input on this.  
22 But it will take a while. I was not pleased to  
23 hear how long this process could take.

24 MR. GALATI: And I guess my second point  
25 is, go ahead and designate some and if they are

1 not right they will fall out. And I understand  
2 that that seems like too much work. So I ask you  
3 to reach out to the development community or some  
4 other place for funding. Because I suspect there  
5 are others who feel as I do. That it is a  
6 worthwhile effort and everybody benefits.

7 But the idea to wait until we plan the  
8 perfect corridors, then go through the  
9 environmental review process on the perfect  
10 corridors, is a five to ten year process. I don't  
11 see it benefiting us. And I don't see some of my  
12 prospective clients saying, this is a good place  
13 for a power plant. It makes good environmental  
14 sense because I know there is possibly some  
15 transmission coming.

16 COMMISSIONER BYRON: Thank you.

17 CHAIRPERSON PFANNENSTIEL: Thanks,  
18 Scott. Further public comment?

19 Anything else before this Commission?

20 We will be adjourned.

21 (Whereupon, at 12:23 p.m., the  
22 Business Meeting was adjourned.)

23 --oOo--  
24  
25

## CERTIFICATE OF REPORTER

I, JOHN COTA, an Electronic Reporter, do hereby certify that I am a disinterested person herein; that I recorded the foregoing California Energy Commission Business Meeting; that it was thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said meeting, nor in any way interested in outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 25th day of November, 2008.

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345□